

2011

INTERIM REPORT

Stock code : 623 ▶



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# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Chen Xin  
Ms. Liu Jinlan  
Mr. Li Zongzhou

## NON-EXECUTIVE DIRECTORS

Mr. Zhu Jia  
Mr. He Hui David

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ding Junjie  
Mr. Qi Daqing  
Mr. Lian Yuming

## AUDIT COMMITTEE

Mr. Qi Daqing (*Chairman*)  
Mr. Ding Junjie  
Mr. He Hui David

## REMUNERATION COMMITTEE

Mr. Chen Xin (*Chairman*)  
Mr. Ding Junjie  
Mr. Lian Yuming

## COMPLIANCE COMMITTEE

Mr. Li Zongzhou (*Chairman*)  
Mr. Chan Oi Nin Derek

## COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Mr. Chan Oi Nin Derek

## AUTHORISED REPRESENTATIVES

Mr. Chen Xin  
Mr. Chan Oi Nin Derek

## REGISTERED OFFICE OF THE COMPANY

Room 1505, 15th Floor, World-wide House,  
19 Des Voeux Road Central, Hong Kong

## CORPORATE HEADQUARTERS

Unit 15D, Xintian International Plaza,  
No. 450 Fushan Road, Pudong New District,  
Shanghai, PRC

## AUDITORS

KPMG

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited  
Shops 1712–1716, 17/F, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong

## INVESTOR RELATIONS CONSULTANT

Hill & Knowlton Asia Ltd

## WEBSITE

[www.sinomedia.com.hk](http://www.sinomedia.com.hk)

# Financial Summary

<i>RMB'000</i>	<b>For the six months ended 30 June 2011</b>	For the six months ended 30 June 2010	<b>Change (%)</b>
<b>Revenue</b>	<b>719,939</b>	599,339	+20%
<b>Profit from operations</b>	<b>107,853</b>	34,492	+213%
<b>Profit attributable to equity shareholders of the Company</b>	<b>72,708</b>	26,018	+180%
<b>Earnings per share (RMB)</b>			
— Basic	<b>0.128</b>	0.046	+178%
— Diluted	<b>0.127</b>	0.046	+176%

## Revenue:

<i>RMB'000</i>	<b>For the six months ended 30 June 2011</b>	For the six months ended 30 June 2010	<b>Change (%)</b>
<b>Media resources management</b>	<b>721,941</b>	585,229	+23%
<b>Brand communication and media procurement services</b>	<b>6,603</b>	9,538	-31%
<b>Creative advertisement and content production</b>	<b>5,070</b>	10,809	-53%
<b>Sales taxes and surcharges</b>	<b>(13,675)</b>	(6,237)	+119%
<b>Revenue</b>	<b>719,939</b>	599,339	+20%

# Management Discussion and Analysis

## ABOUT THE GROUP

Since 2011, according to the future strategic development priorities set out by the Board of Directors, SinoMedia Holding Limited (“SinoMedia” or the “Company”) has adopted an organization model aimed at maintaining rapid growth in the long run. These initiatives involve speeding up our investments in up-stream channels, content and technological platform of the value chain of the media industry, including the media applications of mobile Internet, by leveraging our leading position in operations such as media resources management and creative advertisement production. In following this strategy, the Group (comprising the Company and its subsidiaries) aims to become a leading media corporation in China with a focus on building and developing four core businesses, namely, the media resources management, new media investment and integration, creative advertisement and content production, and brand communication services.

## BUSINESS REVIEW

### I. Media resources management

The Group enjoys notable advantages over other industry players on China Central Television Station’s (“**CCTV**”) media resources management. Being one of the operators with the most abundant CCTV advertising resources, we have been listed among “CCTV’s Top Ten Advertising Agencies” for many consecutive years.

During the period under review, the Group renewed its current exclusive underwriting contracts and acquired additional exclusive underwriting rights, which consolidated and strengthened the Group’s position as a leading CCTV advertising resources underwriter. The Group had approximately 20,715 minutes of advertising time resources for a total of 36 programmes on seven channels including CCTV-1 (General)/News Channel, CCTV-2 (Finance), CCTV-4 (Chinese International, including Europe and US), CCTV-5 (Sports), CCTV-7 (Military and Agriculture) and CCTV-NEWS (English), representing a year-on-year growth of 7% in terms of total minutes of advertising time.

#### *Continuing Operations*

The Group’s continuing operations cover the advertising resources in “Night News (晚間新聞)” on CCTV-1 (General), “News 30’ (新聞30分)” on CCTV-1 (General)/News Channel, “China News (中國新聞)”, “Across the Strait (海峽兩岸)” and “All-Day Package (全天時段套)” on CCTV-4 (Chinese International, including Europe and US), seven programmes including “Zhi Fu Jing (致富經)”, “Focus on the Three Agricultural Issues (聚焦三農)” and “Daily Agricultural News (每日農經)” on CCTV-7 (Military and Agriculture), and all programmes on CCTV-NEWS (English News) in 2011.

## *New Operations*

### 1. CCTV-2 (Finance)

The Group acquired new exclusive advertising underwriting rights to “Make More Money (生財有道)” on CCTV-2 (Finance). This programme is aired at around 18:40 on a daily basis from Monday to Friday, featuring stories of how people manage their money and create wealth. Based on the positioning of the finance channel as a “window to the financial policy, guide for investment and wealth management”, the programme narrates stories on how to get rich and provides information on how to create wealth. It has been one of the channel's most highly rated programmes.

### 2. CCTV-4 (Chinese International, including Europe and US)

Two programmes, namely “Exposition of Chinese Culture Relics (國寶檔案)” and “China Showbiz (中國文藝)”, were added to the Group's exclusive underwriting advertising resources. These new advertising resources enabled the Group to offer more flexible and higher quality advertising solutions to clients, rendering the Group a more dominant position among underwriters for CCTV-4 (Chinese International).

### 3. CCTV-5 (Sports)

The Group acquired the exclusive advertising underwriting rights to “Weather Forecast” during the “Sports News” programme on CCTV-5 (Sports). This programme is aired on prime time at 7:25 and 8:25 in the morning and 18:28 in the evening. A CSM Media Research study on 35 city groups' programme time in 2010 shows that the average ratings were 0.39% and the ratings surged when a significant sports event was aired. The Group believes that the substantial number of sports loving audience among this programme's viewership will be effective in enriching the Group's existing advertising resources, so that we can satisfy the advertising needs of different clients.

# Management Discussion and Analysis

## II. New media investment and integration

The Group strongly believes that the Internet, especially mobile Internet, will significantly influence the media industry and will enjoy dramatic growth in the next decade. As such, as it develops into a leading media corporation in China, SinoMedia will continue to pay particular attention to developments in the new media. Several key strategic investments were made or completed during the period, including investments in *www.lotour.com*, FoneNet Inc. (“**100TV**”) and Beijing Zhongtoushixun Cultural Media Co., Ltd. (“**Zhongtoushixun**”). Details are set out as follows:

### 1. *www.lotour.com*

In December 2010, the Group entered into an agreement with Beijing Lotour Internet Technology Co., Ltd. to establish a joint venture for the exclusive operation of *www.lotour.com*, the largest Internet portal for the travel industry. During the period under review, the Group successfully completed its investment in this joint venture.

By promoting tourism brands and image of cities, SinoMedia has opened up a new niche in China’s advertising industry. In the past 12 years and following the idea of “introducing Chinese cities to the world and letting the world discover the beauty of Chinese cities”, SinoMedia has set the trend of promoting culture and image of Chinese cities. Utilising case studies on the promotion of cities over the years, SinoMedia initiated the publication of the “Research Report on City Brands Communication”, setting an industry standard for cities’ brand communication.

*www.lotour.com* is a leading online portal site for travel industry in China. Integrating the respective communication advantages on TV and the Internet of the joint venture partners, the investment in *www.lotour.com* will enrich the communication channels and means for cities and tourist attractions, and enhance the Group’s resources advantages in city-oriented tourism. This cooperation has strengthened the Group’s foundation to offer more effective TV and Internet advertising portfolio services to clients engaged in the promotion of city— oriented tourism.

### 2. *100TV*

With the investment in 100TV completed in July 2011, the Group became the third largest shareholder of 100TV and appointed a member with preferred voting rights to join its board of directors. 100TV is one of the largest mobile TV platforms and service providers in China, focusing on the development of mobile TV technology and video players, and has obtained business licenses for telecommunications and information services and value-added telecommunications services. 100TV’s investors include well-known international institutions such as Cisco and iD TechVenture. 100TV is an industry leader in terms of its business scale and operational capabilities and has established full network business relationships with major telecommunications operators in China. It is committed to providing mobile subscribers with a full range of integrated mobile TV services in China.

### 3. *Zhongtoushixun*

The Group's acquisition of 5% stake in Zhongtoushixun was completed in July 2011. With the China Internet Information Center holding the controlling stake, Zhongtoushixun is a mobile TV operator that is responsible for the production of audio and visual content for CNLive's mobile TV platform, as well as mobile TV services through the mobile communication network. The company also provides video services to its subscribers through the Internet. Zhongtoushixun is well experienced in value-added services operation in mobile Internet and possesses technological expertise in mobile TV. Its sales revenue and market share in the mobile TV market have grown substantially since 2010, making it a leader in the mobile TV industry.

During the period under review, the three projects mentioned above did not yet deliver profit contribution to the Group. The Group expects to nurture the market with the project co-operators and develop the Group's integration and operation capability in the related new media sector in the next one year and a half. Given the promising outlook of the aforementioned projects and our good expectation on the increasing synergy of our operations in the future, the Group believes that these sectors will soon become new revenue drivers of the Group after two years, and will play a positive role in the Group's growth in the long run.

## **III. Creative advertisement and content production**

### 1. *Creative production services for commercial advertising*

Since establishment, the Group has created numerous advertisement projects that feature creativity and high value. We possess extensive implementation experience in project planning, brand creativity, visual design and filming of advertisement. Facing a wide range of client demands, the Group has accumulated creative advertisement production experience at all levels and has produced a large quantity of excellent advertising commercials. During the period, the Group won several prestigious awards both domestically and internationally. At the same time, the Group's total number of client and order placement had also experienced significant growth.

### 2. *Production and syndication of public service creative advertising*

The Group's wholly owned subsidiary Beijing Taihe Ruishi Culture and Media Company Limited is the only operator in China that has a nationwide public service advertising broadcast network of 140 regional television channels. This platform not only helps SinoMedia to increase its influence in the creative production sector, but also supplements the Group's existing advertising media resources. With the trend of emphasizing public services for corporate branding, through the creativity, shooting and production of public service advertisements and the syndication of the advertisements to a wide range of regional television channels, this platform has attracted the interest of a large number of clients, bringing in increasing sponsorship revenue from corporate clients.

# Management Discussion and Analysis

## IV. Brand communication and media procurement services

In order to satisfy clients' different needs, in addition to recommending advertising placement on our exclusive underwritten media resources, SinoMedia also offers a full range of campaign strategy and execution services that target our clients' brand communication needs. A comprehensive advertising procurement system that includes coverage on CCTV, regional television channels, digital media, print media and outdoor media placement is in place. This system includes brand positioning, media strategy and procurement execution. During the period, this business achieved significant growth in turnover.

Besides providing brand communication services in China, the Group is the first domestic company in the industry to strategically expand into the international media domain. In 2011, we entered into cooperation agreements with MediaCorp from Singapore and CNBC, the world's largest financial TV, becoming their advertising agency in Mainland China. Expansion into the international media domain at the right time and pace not only demonstrates the Group's strategic development towards internationalisation, but also enables Chinese clients to develop global business with effective brand and advertising exposure in overseas markets through our abundant and high quality domestic and international media resources. This also allows the Group to gain firsthand experience from international broadcasting services, paving ways for further development.

### 1. *MediaCorp's TV channels*

The Group has become the master advertising agent for MediaCorp Pte Ltd's TV channels in China since January 2011. As the largest media group in Singapore, MediaCorp's flagship TV channels include Singapore's most popular local channels, as well as Channel NewsAsia which is broadcast throughout the entire Asia Pacific region.

### 2. *CNBC Finance TV*

In August 2011, the Group entered into a cooperation agreement with CNBC, the world's leading finance TV channel, becoming its exclusive advertising sales representative in Mainland China. The Group believes that collaboration with CNBC will enable us to offer our Chinese customers a more effective channel for international brand communication. Headquartered in the US, CNBC provides in-depth financial market analysis, real-time market data and important business information to more than 380 million households worldwide. Its speed and practical information and in-depth market analysis are well regarded by the business professionals around the world.

## FINANCIAL REVIEW

### Revenue and Profit Attributable to Equity Shareholders of the Company

For the six months ended 30 June 2011, the Group recorded a revenue of RMB719,939 thousand, up 20.1% from RMB599,339 thousand for the same period last year. The increase in revenue was mainly attributable to the followings:

- I. Before the deduction for sales taxes and surcharges, revenue recorded from media resources management was RMB721,941 thousand, up 23.4% from RMB585,229 thousand year-on-year. The sustained revenue growth in this business was attributable to the continuous improvement in the sales performance of TV advertising time, with an increase in the advertising time of key exclusive underwritten resources sold, as compared with the same period last year. The Group managed to promote sales by enhancing sales efforts, offering a more diversified product portfolio and strengthening regional sales and promotional initiatives. Besides, the Group continued to enhance our professional services provided for clients from the consumer goods, finance and insurance, and tourism industries.
- II. The Group increased efforts in promoting and nurturing brand communication and media procurement services during the period under review. Before the deduction for sales taxes and surcharges, turnover from our procurement of external media resources for clients amounted to RMB474,766 thousand, representing an increase of 66.4% year-on-year. According to International Accounting Standards, as the Group handles media procurement for clients in the role of an agency, only net commission after the deduction of related procurement costs is recognized as the Group's revenue. Media procurement service revenue was RMB6,603 thousand (the first half of 2010: RMB9,538 thousand). The decline in revenue despite the increase in turnover was mainly due to the fact that the commission income from TV stations receivable in 2011 was only booked in July this year as a result of a lag in the settlement of media accounts, while the corresponding commission income receivable in 2010 had been accounted for in the first half of 2010. Excluding this factor, the media procurement service revenue recorded during the period under review would have been higher than that of the same period last year. In view of the order placements on hand, it is expected that the revenue of this business will continue to grow throughout the year.

# Management Discussion and Analysis

III. Before the deduction for sales taxes and surcharges, creative advertisement and content production revenue was RMB5,070 thousand, down RMB5,739 thousand from RMB10,809 thousand year-on-year. This revenue included revenue from production services for commercial advertising and revenue from the production and distribution of advertisements by the nationwide public service advertising broadcast network. During the period under review, the Group successfully won several large commercial advertisement production projects through creative proposals and competitive presentation, and achieved a significant increase in contract amounts compared to the same period last year. Since the service cycle of some major production projects are longer and were yet to be completed as at 30 June 2011, production revenue recognized during the period was only RMB465 thousand, compared to RMB5,102 thousand during the same period last year. It is expected that this revenue will increase as the aforementioned large scale production projects are gradually completed in the second half of 2011. The nationwide public service advertising broadcast network continued to develop favourably, recording revenue similar to that of the same period last year.

As the revenue recorded from media resources management business grew significantly, while the cost of services and operating expenses were maintained at reasonable levels, the profit attributable to equity shareholders of the Company for the six months ended 30 June 2011 rose to RMB72,708 thousand, representing a significant increase by 179.5% from RMB26,018 thousand year-on-year.

## Operating Expenses

For the six months ended 30 June 2011, the Group's overall operating expenses increased by RMB9,207 thousand from the same period last year to RMB51,145 thousand, accounting for 7.1% of the Group's revenue (first half of 2010: 7.0%). Of these expenses, selling and marketing expenses amounted to RMB25,186 thousand, representing an increase of RMB6,807 thousand year-on-year and accounting for 3.5% of the Group's revenue (first half of 2010: 3.1%). One reason for the increase in selling and marketing expenses was the rise in personnel expenses (including the rise in the sales staff's performance linked remuneration) of approximately RMB2,367 thousand as a result of the significant increase in sales during the period under review. In addition, the Group restructured the existing business segments in the first half this year, and increased promotional and marketing efforts for our products. Expenses relating to the stepped up promotional and marketing efforts as well as production costs increased by approximately RMB3,746 thousand year-on-year. General and administration expenses amounted to RMB25,959 thousand, representing an increase of RMB2,400 thousand from the same period last year and accounting for 3.6% of the Group's revenue (first half of 2010: 3.9%). The Group maintained strong and effective management of our general and administration expenses while achieving continuous growth in operating scale.

The Group will further improve and perfect our overall budget management system for operating costs in an aim to maintain the percentage of cost to revenue within a reasonable range.

## Liquidity and Financial Resources

During the period under review, the Group maintained adequate working capital and a robust financial position.

As at 30 June 2011, the Group's cash and bank balances amounted to RMB776,187 thousand (as at 31 December 2010: RMB795,791 thousand), of which 95% was denominated in Renminbi and 5% in US dollars.

During the period under review, the net cash inflow from operating activities amounted to RMB126,373 thousand (first half of 2010: RMB195,398 thousand). While the Group's revenue increased significantly, our receivables still remained at a relatively low level, which was attributable to our appropriate receivables management and stringent control over advertising payments to prevent unreasonable delays. As at period end, the total balance of trade and bills receivables amounted to RMB68,165 thousand, net of impairment losses (as at 31 December 2010: RMB74,539 thousand). During the period under review, the net cash outflow from investing activities amounted to RMB79,250 thousand. The Group optimized and diversified our investment allocation in the first half of 2011, and invested in several key investment projects. Thus, the net cash used in investing activities saw a significant increase over the same period last year. Besides, as a reward for shareholders, final and special dividends amounting to a total of 62,464 thousand were declared in 2010. These dividends were fully paid in the first half of 2011. As a result, cash outflow from financing activities during the period under review was higher than the same period last year.

As at 30 June 2011, the Group's total assets amounted to RMB1,306,299 thousand, which were financed by equity attributable to equity shareholders of the Company of RMB861,293 thousand, and non-controlling interest of RMB5,471 thousand. As at period end, there were no bank borrowings or assets held under financial lease.

The majority of the turnover, expenses and capital investments of the Group are denominated in RMB.

## Human Resources

As at 30 June 2011, the Group had over 350 employees in total. We implement a remuneration policy that is competitive in the industry, and pay commissions to our sales people and discretionary bonuses to our other employees in view of the performance of the Group and individual employees. In order to align the interests of employees with those of shareholders, share options were granted to employees under the Company's share option schemes. Share options that have been granted and remained unexercised as at the end of the review period amounted to 35,432,500 units. At the same time, we continued to provide employees with benefits like insurance, medial check-ups and various training courses with a view to maintaining the Group's competitiveness.

# Management Discussion and Analysis

## INDUSTRY AND GROUP OUTLOOK

With respect to the entire advertising market, according to CTR Market Research's advertisers research study over the years, 51%, 66% and 73% of advertisers showed their willingness to increase advertising spending in the respective years between 2009 and 2011. The growth momentum in the advertising industry will remain strong this year. The Group therefore maintains a positive outlook for the advertising market in 2011 and 2012.

According to report conducted by CTR Market Research entitled "China's Advertising Market Review During the First Half of 2011", during the first six months of 2011, total TV advertising spending grew by an average of 14%. With respect to the total advertising time sold by different levels of TV channels during the period, state-level channels rose by 0.35%, being the only category with an increase in advertising time sold. Thus, the Group's strategy of maintaining CCTV as our core resources will remain unchanged.

As China's economy stands out in the international arena, more Chinese enterprises and cities will seize this opportunity to expand internationally. From our perspective, the demand for international brand communication will gradually increase. To cater to these demands, the Group will not only continue to strengthen our business with Chinese mainstream English channels such as CCTV-NEWS, but will also continue to explore opportunities for collaboration with well-established overseas TV channels.

More importantly, the development and integration of the media in recent years provides advertisers with a wide range of choices. According to the "28th Statistical Report on Internet Development in China" published by the China Internet Network Information Center (CNNIC), as of the end of June 2011, China had a total of 485 million Internet users and 318 million mobile Internet users. To provide clients with a more comprehensive range of communication services, the Group will continue to pay particular attention to and put more effort into digital media, especially the mobile Internet media, and will actively develop high quality resources in the new media industry. We believe that this will lay a solid foundation for our rapid growth in the long run.

From the perspective of the industry's overall development trend, we consider that the boundary between traditional media, advertising and public relations companies are becoming blurred while media integration accelerates. The tools and means of communication will be restructured in the digital era to create new marketing models and techniques. In view of this, the Group will continue to enhance our input to the expansion and integration of various links of the value chain, including new media investment and integration, creative content production and syndication, as well as brand communication services. During this process, we will actively promote our wide range of media operation domains and business expansion.

We believe that with the continued growth of China's economy and the opportunity in the vibrant domestic media industry, the Board of Directors, the management and the Group's entire team will all aim at realizing the mission of becoming a leading media corporation in China and worldwide. With the Group's concerted effort and proactive attitude, we will continue to deliver the best investment returns to our shareholders.

# Condensed Consolidated Income Statement

For the six months ended 30 June 2011 — unaudited  
(Expressed in Renminbi)

	Notes	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Revenue		719,939	599,339
Cost of services		(567,055)	(528,896)
<b>Gross profit</b>		<b>152,884</b>	70,443
Other income	6	6,114	5,987
Selling and marketing expenses		(25,186)	(18,379)
General and administration expenses		(25,959)	(23,559)
<b>Profit from operations</b>		<b>107,853</b>	34,492
Finance income		4,883	4,284
Finance costs		(116)	(166)
<b>Net finance income</b>		<b>4,767</b>	4,118
Share of loss of associates (net of income tax)		(2,914)	(443)
<b>Profit before income tax</b>	7	<b>109,706</b>	38,167
Income tax expense	8	(35,101)	(9,802)
<b>Profit for the period</b>		<b>74,605</b>	28,365
<b>Attributable to:</b>			
Equity shareholders of the Company		72,708	26,018
Non-controlling interests		1,897	2,347
<b>Profit for the period</b>		<b>74,605</b>	28,365
<b>Earnings per share</b>	9		
Basic earnings per share (RMB)		0.128	0.046
Diluted earnings per share (RMB)		0.127	0.046

The notes on pages 19 to 26 are an integral part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 14.

# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Profit for the period</b>	<b>74,605</b>	28,365
<b>Other comprehensive income for the period (after tax)</b>	<b>(2,714)</b>	(2,715)
Exchange differences on translation of financial statements of the Company	(2,714)	(2,715)
<b>Total comprehensive income for the period</b>	<b>71,891</b>	25,650
<b>Attributable to:</b>		
Equity shareholders of the Company	69,994	23,303
Non-controlling interests	1,897	2,347
<b>Total comprehensive income for the period</b>	<b>71,891</b>	25,650

The notes on pages 19 to 26 are an integral part of this interim financial report.

# Condensed Consolidated Balance Sheet

As at 30 June 2011 — unaudited  
(Expressed in Renminbi)

	<i>Notes</i>	<b>At 30 June 2011 RMB'000</b>	At 31 December 2010 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	54,520	54,601
Investment property		3,966	—
Investment in associates		17,086	6,000
Other financial assets		60,316	—
Deferred tax assets		5,276	8,748
<b>Total non-current assets</b>		<b>141,164</b>	69,349
<b>Current assets</b>			
Trade and other receivables	11	388,948	419,108
Cash and cash equivalents	12	776,187	795,791
<b>Total current assets</b>		<b>1,165,135</b>	1,214,899
<b>Total assets</b>		<b>1,306,299</b>	1,284,248
<b>Equity</b>			
Share capital		174	174
Reserves		861,119	848,966
<b>Equity attributable to equity shareholders of the Company</b>		<b>861,293</b>	849,140
<b>Non-controlling interests</b>		<b>5,471</b>	6,904
<b>Total equity</b>		<b>866,764</b>	856,044

# Condensed Consolidated Balance Sheet

As at 30 June 2011 — unaudited  
(Expressed in Renminbi)

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Notes</i>		
<b>Non-current liabilities</b>			
Other financial liability		13,819	13,657
Deferred tax liabilities		1,804	4,041
<b>Total non-current liabilities</b>		<b>15,623</b>	17,698
<b>Current liabilities</b>			
Trade and other payables	13	401,613	369,185
Income tax payables		22,299	29,450
Other current financial liability		—	11,871
<b>Total current liabilities</b>		<b>423,912</b>	410,506
<b>Total liabilities</b>		<b>439,535</b>	428,204
<b>Total equity and liabilities</b>		<b>1,306,299</b>	1,284,248
<b>Net current assets</b>		<b>741,223</b>	804,393
<b>Total assets less current liabilities</b>		<b>882,387</b>	873,742

The notes on pages 19 to 26 are an integral part of this interim financial report.

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 — unaudited  
(Expressed in Renminbi)

	Share	Capital	Share	Capital	Statutory	Translation	Other	Retained	Total	Non-	Total	
	capital	reserves	premium	redemption	reserves	reserves	reserves	earnings		controlling		equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2010</b>	173	17,414	461,741	18	37,735	2,776	(11,151)	227,767	736,473	5,465	741,938	
<b>Changes in equity for the six months ended 30 June 2010:</b>												
Share-based payments	—	869	—	—	—	—	—	374	1,243	—	1,243	
Shares issued under share option scheme	1	(2,176)	5,332	—	—	—	—	—	3,157	—	3,157	
Dividends	—	—	—	—	—	—	—	(17,786)	(17,786)	—	(17,786)	
Total comprehensive income for the period	—	—	—	—	—	(2,715)	—	26,018	23,303	2,347	25,650	
<b>Balance at 30 June 2010</b>	174	16,107	467,073	18	37,735	61	(11,151)	236,373	746,390	7,812	754,202	
<b>Changes in equity for the six months ended 31 December 2010:</b>												
Share-based payments	—	2,493	—	—	—	—	—	(374)	2,119	19	2,138	
Acquisition of non-controlling interest	—	—	—	—	—	—	1,813	(35,436)	(33,623)	(6,867)	(40,490)	
Appropriation to reserves	—	—	—	—	17,482	—	—	(17,482)	—	—	—	
Shares issued under share option scheme	—	(570)	1,333	—	—	—	—	—	763	—	763	
Total comprehensive income for the period	—	—	—	—	—	1,445	—	132,046	133,491	5,940	139,431	
<b>Balance at 31 December 2010</b>	174	18,030	468,406	18	55,217	1,506	(9,338)	315,127	849,140	6,904	856,044	
<b>Changes in equity for the six months ended 30 June 2011:</b>												
Share-based payments	—	3,082	—	—	—	—	—	—	3,082	—	3,082	
Share repurchased	—	—	—	—	—	—	—	(1,789)	(1,789)	—	(1,789)	
Purchase of non-controlling interest	—	—	—	—	—	—	5,823	(2,493)	3,330	(3,330)	—	
Dividends	—	—	—	—	—	—	—	(62,464)	(62,464)	—	(62,464)	
Total comprehensive income for the period	—	—	—	—	—	(2,714)	—	72,708	69,994	1,897	71,891	
<b>Balance at 30 June 2011</b>	174	21,112	468,406	18	55,217	(1,208)	(3,515)	321,089	861,293	5,471	866,764	

The notes on pages 19 to 26 are an integral part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2011 — unaudited  
(Expressed in Renminbi)

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Cash generated from operations	<b>167,391</b>	215,287
Tax paid	<b>(41,018)</b>	(19,889)
Net cash from operating activities	<b>126,373</b>	195,398
Net cash used in investing activities	<b>(79,250)</b>	(719)
Net cash used in financing activities	<b>(64,013)</b>	(14,426)
Net increase/(decrease) in cash and cash equivalents	<b>(16,890)</b>	180,253
Cash and cash equivalents at 1 January	<b>795,791</b>	323,084
Effect of foreign exchange rates changes	<b>(2,714)</b>	(488)
Cash and cash equivalents at 30 June	<b>776,187</b>	502,849

The notes on pages 19 to 26 are an integral part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 1 REPORTING ENTITY

SinoMedia Holding Limited (the “Company”) is a company domiciled in Hong Kong. The address of the Company’s registered office is Room 1505, 15th Floor, World-wide House, 19 Des Voeux Road Central, Hong Kong. The interim financial report of the Company as at and for the six months ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interest in associate. The Group is primarily involved in providing nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorized for issuance on 25 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”). This interim financial report is unaudited.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2011.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of amendments to IFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to IFRIC 14, IAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The improvements to IFRSs (2010) have had no material impact on the Group's financial statements as the improvements were consistent with policies already adopted by the Group. The other developments have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction and there is no requirement to restate the amounts recorded in respect of previous such transactions.

## 4 SEGMENT REPORTING

In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has determined and presented a single reportable segment to disclose information as a whole about its services, geographical areas, and major customers.

## 5 SEASONALITY OF OPERATIONS

TV advertisement spending in China shows notable seasonal fluctuations, with higher customer demand and more advertisement spending occurring in the second half of each calendar year. As a result, utilisation rates are generally lower in the first half of the year, compared to the second half. On the other hand, cost of services consist primarily of the cost to purchase TV advertisement time from various advertisement resource providers, which is generally incurred ratably over the contract period, varying from one to five years. Gross profit and gross margin are therefore comparatively lower for the first half of a year.

## 6 OTHER INCOME

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Government grant	6,101	5,982
Others	13	5
	<b>6,114</b>	5,987

## 7 PROFIT BEFORE INCOME TAX

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Depreciation	2,707	2,382
Impairment losses on bad and doubtful accounts	(1,445)	2,237

## 8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Current tax — PRC Income tax	33,866	8,452
Deferred taxation	1,235	1,350
	<b>35,101</b>	9,802

No provision has been made for Hong Kong profits tax as the Company did not earn any income subject to Hong Kong profits tax for the six months periods ended 30 June 2011 and 2010.

Taxation for PRC subsidiaries is calculated using the estimated annual effective rates of taxation that are expected to be applicable in the PRC.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 9 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB72,708 thousand (six months ended 30 June 2010: RMB26,018 thousand) and the weighted average number of ordinary shares of 565,987,400 (2010: 564,996,311).

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
<b>Profit attributable to ordinary equity shareholders</b>		
Profit for the period	<b>72,708</b>	26,018
Profit attributable to ordinary equity shareholders	<b>72,708</b>	26,018

	Six months ended 30 June	
	2011 '000	2010 '000
<b>Weighted average number of ordinary shares</b>		
Issued ordinary shares at 1 January	<b>566,838</b>	564,310
Effect of issues of ordinary shares under share option schemes	—	686
Effect of share repurchased	<b>(851)</b>	—
Weighted average number of ordinary shares at 30 June	<b>565,987</b>	564,996

## 9 EARNINGS PER SHARE (CONTINUED)

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB72,708 thousand (six months ended 30 June 2010: RMB26,018 thousand) and the weighted average number of ordinary shares of 574,144,520 (2010: 567,262,406).

<b>Profit attributable to ordinary equity shareholders (diluted)</b>	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>RMB'000</i>	2010 <i>RMB'000</i>
Profit attributable to ordinary equity shareholders (basic and diluted)	<b>72,708</b>	26,018

<b>Weighted average number of ordinary shares (diluted)</b>	<b>Six months ended 30 June</b>	
	<b>2011</b> <i>'000</i>	2010 <i>'000</i>
Weighted average number of ordinary shares (basic)	<b>565,987</b>	564,996
Effect of share options on issue	<b>8,157</b>	2,266
Weighted average number of ordinary shares (diluted) at 30 June	<b>574,144</b>	567,262

## 10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment with a cost of RMB2,701 thousand (six months ended 30 June 2010: RMB2,162 thousand).

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 11 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivable (net of impairment losses) with the following ageing analysis:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Less than three months	40,227	74,495
Three months to six months	22,759	44
Six months to one year	5,179	—
Trade debtors and bills receivables, net of impairment losses	68,165	74,539
Prepayments to media suppliers	275,788	303,344
Deposits	31,897	31,202
Advances to employees	5,405	3,804
Others	7,693	6,219
	<b>388,948</b>	419,108

Credit terms are granted to the customers, depending on credit assessment carried out by management on an individual basis. The credit terms for trade receivables are generally from nil to 90 days.

## 12 CASH AND CASH EQUIVALENTS

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	776,187	795,791

## 13 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Due within 3 months or on demand	116,292	130,949
Advances from customers	266,991	201,605
Payroll and welfare expenses payables	6,144	11,266
Other tax payables	(3,323)	18,801
Other payables and accrued charges	15,253	6,548
Dividends payable due to non-controlling interests of a subsidiary	256	16
	<b>401,613</b>	369,185

## 14 DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the interim period

No dividend attributable to the interim period has been declared and paid by the Group.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 14 DIVIDENDS (CONTINUED)

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year approved and paid during the interim period

	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year, paid of approximately RMB 5.6 cents per share (six months ended 30 June 2010: approximately RMB3 cents per share)	31,112	17,786
Special dividend in respect of the previous financial year, paid of approximately RMB 5.6 cents per share	31,112	—
	<b>62,224</b>	17,786

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be (a) notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (i) Interests in the Company – Long Positions

Name of director	Nature of interest	Number of ordinary shares held	Number of underlying shares held under equity derivatives (Note 1)	Approximate percentage of issued share capital of the Company	
				Total	
Liu Jinlan	Founder of discretionary trust, beneficiary of trust and beneficial interest	251,428,169 (Note 2)	4,400,000	255,828,169	45.13%
Chen Xin	Founder of discretionary trust and beneficiary of trust	251,428,165 (Note 3)	—	251,428,165	44.36%
Li Zongzhou	Beneficial interest	—	2,500,000	2,500,000	0.44%
Qi Daqing	Beneficial interest	—	260,000	260,000	0.05%
Ding Junjie	Beneficial interest	—	200,000	200,000	0.04%

Notes:

- Details of the underlying shares are set out in the section headed "Share Option Schemes" in this report.
- Liu Jinlan is deemed to be interested in 251,428,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust, DFS (No. 2) Trust and CLH Trust, all founded by Liu Jinlan. In respect of 203,941,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.
- Chen Xin is deemed to be interested in 251,428,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust, DFS (No. 1) Trust and CLH Trust, all founded by Chen Xin. In respect of 203,941,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

# Other Information

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (ii) Interests in associated corporations of the Company – Long Positions

Name of director	Name of associated corporation	Nature of interest	Approximate percentage of issued share capital of the associated corporation
Liu Jinlan	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%
	CTV Golden Bridge International Media Co., Ltd.	Corporate interest	0.3%
Chen Xin	CLH Holding Limited	Founder of discretionary trust	100%
	Golden Bridge International Culture Limited	Corporate interest	100%
	Golden Bridge Int'l Advertising Holdings Limited	Corporate interest	100%

Apart from the foregoing, as at 30 June 2011, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEMES

The Company has adopted share option schemes on 29 June 2007 (the "Pre-IPO Scheme") and 27 May 2008 (the "Post-IPO Scheme"), respectively, whereby the directors of the Company are authorised, at their discretion, to invite any full time employee, director or any person approved by the board or shareholders of the Company to take up options (the "Pre-IPO Options" and the "Post-IPO Options", respectively) to subscribe for shares of the Company. No further options will be granted under the Pre-IPO Scheme. The Post-IPO Scheme shall be valid and effective for a period of ten years ending on 7 July 2018.

The total number of securities available for issue under both the Pre-IPO Scheme and the Post-IPO Scheme as at 30 June 2011 was 35,432,500 shares which represented approximately 6% of the issued share capital of the Company as at 30 June 2011.

## SHARE OPTION SCHEMES (CONTINUED)

Movements of the share options under the share option schemes for the six months ended 30 June 2011 are as follows:

	No. of options outstanding as at 1 January 2011	No. of options granted during the period	No. of options exercised during the period	No. of options forfeited during the period	No. of options outstanding as at 30 June 2011	Date of grant	Exercise price	Exercise period
<b>Directors</b>								
Liu Jinlan	3,200,000	—	—	—	3,200,000	10 July 2007	RMB1.56	Note 2
	1,200,000	—	—	—	1,200,000	2 July 2010	HKD1.84	Note 4
Li Zongzhou	1,600,000	—	—	—	1,600,000	10 July 2007	RMB1.56	Note 1
	900,000	—	—	—	900,000	2 July 2010	HKD1.84	Note 4
Qi Daqing	260,000	—	—	—	260,000	17 September 2009	HKD1.49	Note 3
Ding Junjie	200,000	—	—	—	200,000	17 September 2009	HKD1.49	Note 3
<b>Employees</b>								
in aggregate	9,608,000	—	—	(48,000)	9,560,000	4 July 2007 to 7 March 2008	RMB1.56	Note 1
	200,000	—	—	—	200,000	17 September 2009	HKD1.49	Note 3
	17,240,000	—	—	(327,500)	16,912,500	2 July 2010	HKD1.84	Note 4
	1,300,000	—	—	(800,000)	500,000	22 November 2010	HKD2.82	Note 4
	1,060,000	—	—	(160,000)	900,000	6 December 2010	HKD2.88	Note 4

Notes:

1. A Pre-IPO Options holder may exercise a maximum of 25% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the Pre-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Pre-IPO Options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Li Zongzhou are exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above. Exercisable period of the Pre-IPO Options granted to employees of the Group commences on 8 January 2009 and expires on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective date of grant of the option), also subject to the vesting requirement mentioned above.

# Other Information

## SHARE OPTION SCHEMES (CONTINUED)

- An exception to the vesting requirement mentioned in (1) above is that Liu Jinlan may exercise a maximum of 50% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the options. Subsequently, for every full year of continuous service with the Company, Liu Jinlan may exercise a maximum of another 25% of the total number of the options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Liu Jinlan is exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above.

- A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted from the acceptance of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.
- A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the elapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES – LONG POSITIONS

As at 30 June 2011, so far as known to the directors and chief executive of the Company, the following corporations (other than a director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO:

<b>Substantial shareholder</b>	<b>Nature of interest</b>	<b>Total number of ordinary shares held</b>	<b>% of total issued shares</b>
Equity Trustee Limited	Trustee ( <i>Note 1</i> )	298,914,821	52.73%
CLH Holding Limited	Corporate interest ( <i>Note 2</i> )	203,941,513	35.98%
Bain Capital CTVGB Holding L.P.	Corporate interest ( <i>Note 3</i> )	117,624,579	20.75%

*Notes:*

- Equity Trustee Limited is deemed to be interested in 298,914,821 shares of the Company as it is the trustee of CLH Trust (shares held by Golden Bridge International Culture Limited), MHS Trust (shares held by Merger Holding Service Company Limited), UME Trust (shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (shares held by SinoMedia Investment Ltd.).
- These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 203,941,513 shares of the Company held by Golden Bridge International Culture Limited.
- These shares are directly held by Bain Capital CTVGB Holding Ltd. which is a wholly owned subsidiary of Bain Capital CTVGB Holding L.P. Bain Capital CTVGB Holding L.P. is deemed to be interested in 117,624,579 shares of the Company held by Bain Capital CTVGB Holding Ltd.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES – LONG POSITIONS (CONTINUED)

Save as disclosed above, so far as known to the directors and chief executive of the Company, as at 30 June 2011, there was no other persons or corporations (other than a director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Division 2 and 3 of Part XV of the SFO.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2011, the company repurchased 851,000 ordinary shares on the Stock Exchange at an aggregate price of HK\$2,151,110. The repurchased shares had been cancelled subsequently in July 2011. The details of the repurchased shares are as follows:

<b>Date</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share HKD</b>	<b>Lowest price paid per share HKD</b>	<b>Aggregate price paid HKD</b>
22 June 2011	322,000	2.47	2.39	786,290
23 June 2011	325,000	2.57	2.47	822,110
24 June 2011	50,000	2.54	2.54	127,000
27 June 2011	1,000	2.61	2.61	2,610
29 June 2011	140,000	2.70	2.70	378,000
30 June 2011	13,000	2.70	2.70	35,100
	851,000			2,151,110

## CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2011, the Company had complied with all the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, save for the deviation from code provision B.1.1 which provides that a majority of the members of the remuneration committee should be independent non-executive directors. Since 20 May 2011, after the retirement of Mr. Chen Tianqiao from being an independent non-executive director and a member of the remuneration committee of the Company, the committee has only two members, one of whom is an independent non-executive director. On 25 August 2011, Mr. Lian Yuming, an independent non-executive director, was appointed as a replacement member of the remuneration committee of the Company.

# Other Information

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions.

Having been made specific enquiry, the directors of the Company confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2011.

## **AUDIT COMMITTEE**

The Audit Committee has, together with the management of the Company, reviewed the Group's unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2011, including the accounting principles and practices adopted by the Group.