

**Analyst: Paul Sham**

## Main Board Listing – Research

中視金橋國際傳媒控股有限公司

SinoMedia Holding Limited [Stock Code: 00623]
**Joint Global Coordinators, Joint Bookrunners,  
Joint Sponsors and Joint Lead Managers**

: Morgan Stanley Asia Limited  
: Cazenove Asia Limited

**Sector : Media**
**Business : Provide TV advertising coverage for advertisers and advertising agencies**

<b>Total share offer:</b> *139,400,000 shares (25.0% of the enlarged share capital)  <b>Public Offer:</b> 13,940,000 shares (10%) <b>Placing:</b> 125,460,000 shares (90%) <b>Greenshoe:</b> 20,910,000 shares <i>*Comprising 125,460,000 New Shares and 13,940,000 Sale Shares</i>	<b><u>Business of SinoMedia</u></b>  SinoMedia is a leading privately-owned media advertising operator in China that focuses on providing nationwide TV advertising coverage. It is the largest privately-owned underwriter and the overall second largest underwriter of TV advertisement time for CCTV, China's largest TV advertisement time supplier, in 2007.  In addition, SinoMedia have obtained the right to sell TV advertisement time on Jiangsu TV City Channel and Shenzhen Satellite TV Channel since 2007, as well as the exclusive right to sell all the advertisement space in "Tourism", a nationally distributed magazine, since 2004.  As of 18 <sup>th</sup> June 2008, over 300 advertising clients have directly or indirectly purchased advertisement time on its advertising resources. Its clients include international companies such as BMW, FedEx and Korean Air and domestic companies such as China Unicom, ICBC and Ping An Insurance. It also provides services to many local government agencies, such as Dalian Bureau of the Information Industry, Sichuan Tourism Agency and Jilin Tourism Agency.  For the 3 years ended 31 <sup>st</sup> December 2007, SinoMedia's revenue increased from RMB230.1m in 2005 to RMB364.7m in 2007, representing a CAGR of 25.9%.
<b>Price:</b> HK\$2.63 – HK\$3.48 per share  <b>Market Cap:</b> HK\$1,466 million – HK\$1,940 million  <b>Unaudited pro forma FY08E PER:</b> 11.1x – 14.7x  <b>Adjusted NTA per share:</b> RMB\$1.09 – RMB\$1.26  <b>Staffing:</b> 177 (as of 30 <sup>th</sup> April 2008)	
<b>HK Public Offer period:</b> 25 <sup>th</sup> June 2008 – 30 <sup>th</sup> June 2008  <b>Receiving banks:</b> ICBC (Asia) Limited Standard Chartered Bank (Hong Kong) Ltd  <b>Share registrar:</b> Computershare Hong Kong Investor Services Ltd  <b>Listing date:</b> 8 <sup>th</sup> July 2008	

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**Shareholding Structure after Listing** (Assuming the over-allotment option is not exercised)

Golden Bridge Int'l Culture Ltd – ultimately owned by a discretionary trust for the benefit of: Mr. Chen Xin, the Chairman and an executive Director; Ms. Liu Jinlan, (wife of Chairman Chen Xin), CEO and an executive Director; and charitable organisations approved and registered under the Ministry of Civil Affairs of the PRC	36.9%
Merger Holding Services Company Ltd, – ultimately owned by 4 discretionary trusts for the United Marine Enterprise Company Ltd, benefit of the close relatives of Mr. Chen Xin and Ms. Digital Finance Service Company Ltd, Liu Jinlan. SinoMedia Investment Ltd	17.0%
Bain Capital CTVGB Holding Ltd – ultimately owned by the Bain Capital Funds, which are managed by affiliates of Bain Capital, LLC, a global private investment firm.	21.1%
Public Investors	25.0%
	100.0%

**Use of Proceeds**

Net proceeds from the offer are estimated to be HK\$301.5 million (Assuming the over-allotment option is not exercised, and at an issue price of HK\$3.055 each, being the mid-point of the indicative price range)

	HK\$ million
For strategic acquisitions of businesses	211
For acquiring more advertising resources from CCTV, other regional TV stations and digital media	60.5
For working capital and other general corporate purposes	30

**Financial Highlights**

	Year ended 31 <sup>st</sup> December		
	2005 RMB'000	2006 RMB'000	2007 RMB'000
Revenue*	230,124	263,657	364,702
Gross profit	68,794	108,454	126,845
Operating profit	30,294	74,780	79,630
<b>Attributable profit</b>	<b>26,641</b>	<b>61,319</b>	<b>42,316</b>
Gross margin	29.9%	41.1%	34.8%
Operating margin	13.2%	28.4%	21.8%
Net margin	11.6%	23.3%	11.6%

Remark: (\*) The figures are net of sales taxes and surcharges

**Revenue Breakdown by product (% of Total Revenues)**

	Year ended 31 <sup>st</sup> December					
	2005 RMB'000	%	2006 RMB'000	%	2007 RMB'000	%
Advertising Service						
CCTV	205,456	86.2	261,474	95.1	344,850	90.9
Regional TV	0	0.0	0	0.0	22,990	6.1
Others	25,240	10.6	5,488	2.0	5,922	1.6
Agency services & Others	7,635	3.2	8,042	2.9	5,560	1.4
Total revenue	238,331	100.0	275,004	100.0	379,322	100.0

**Strengths/Opportunities**

- ✓ **Positive industry outlook** In the PRC, the growth in advertising spending has consistently exceeded growth in the GDP for the years 2001 to 2007. It is also expected that China's advertising spending will continue to grow and reach RMB193.8bn by 2010, representing a CAGR of 17.3%. In addition, TV has attracted the largest percentage of advertising spending in China among all media resources, with RMB47.1bn or a 39.2% share of China's total advertising spending in 2007, out-casting other media like newspaper, outdoor, radio and magazine. This looks set to be beneficial to the future development of SinoMedia, which has its prime focus on the TV advertising services.
- ✓ **Diversified client base** SinoMedia has over 300 advertising clients but none of them contributes for more than 10% of its revenue. Such low concentration of clients suggests that the Company has better pricing power.
- ✓ **Undemanding valuation** Based on the mid-point of the indicative offering price, the expected P/E multiple of SinoMedia in FY08E is 12.9x. Compared with the closest rival, Qin Jia Yuan Media (02366), which principally engages in the provision of media services in the PRC, with FY08E PE ratio of 14.4x, valuation of SinoMedia looks undemanding.

**Weaknesses/Threats**

- × **Very low bargaining power with its supplier, CCTV** In 2005, 2006 and 2007, 86.2%, 95.1% and 90.9%, respectively, of the Company's gross revenue was generated through selling advertisement time on CCTV to its clients. Any significant change of CCTV's pricing policy will have material effects on SinoMedia's profit margin.
- × **Increasing competition** Owing to the fact that the PRC advertising industry is highly fragmented and full of small TV advertising agencies & TV advertising operators, SinoMedia, without an exclusive right to purchase the advertising resources from CCTV, may not be able to maintain its existing market shares in the future.

**Recommendation:     Unattractive**



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