SinoMedia®

SINOMEDIA HOLDING LIMITED
中 視 金 橋 國 際 傳 媒 控 股 有 限 公 司

(Incorporated in Hong Kong with limited liability)

(Stock code: 623)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL SUMMARY

RMB'000	**For the six months ended 30 June 2014**	For the six months ended 30 June 2013	**Change (%)**
Revenue	**836,428**	863,921	-3%
Profit from operations	**249,012**	239,796	+4%
Profit attributable to equity shareholders of the Company	**179,214**	170,310	+5%
Earnings per share *(RMB)*			
— Basic	**0.319**	0.306	+4%
— Diluted	**0.308**	0.296	+4%

Revenue:

RMB'000	**For the six months ended 30 June 2014**	For the six months ended 30 June 2013	**Change (%)**
Media resources management	**787,454**	833,289	-6%
Integrated brand communication services	**10,739**	17,966	-40%
Internet media and content operations	**22,146**	14,661	+51%
Rental income	**28,862**	13,289	>100%
Sales taxes and surcharges	**(12,773)**	(15,284)	-16%
Revenue	**836,428**	863,921	

Turnover:

RMB'000	**For the six months ended 30 June 2014**	For the six months ended 30 June 2013	**Change (%)**
Media resources management	**787,454**	833,289	-6%
Integrated brand communication services	**1,031,986**	613,318	+68%
Internet media and content operations	**22,146**	14,661	+51%
Rental income	**28,862**	13,289	>100%
Sales taxes and surcharges	**(12,773)**	(15,284)	-16%
Turnover	**1,857,675**	1,459,273	

The Board of directors (the "**Board**") of SinoMedia Holding Limited ("**SinoMedia**" or the "**Company**") is pleased to announce the unaudited results and financial position of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2014, with comparative figures for previous period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

		Unaudited	Unaudited
		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Revenue		**836,428**	863,921
Cost of services		**(577,239)**	(560,797)
Gross profit		**259,189**	303,124
Other revenue	4	**72,544**	30,422
Selling and marketing expenses		**(27,901)**	(31,700)
General and administrative expenses		**(54,820)**	(62,050)
Profit from operations		**249,012**	239,796
Finance income	5(a)	**9,568**	11,661
Finance costs	5(a)	**(2,793)**	(330)
Net finance income		**6,775**	11,331
Share of gain of associates		**2,604**	114
Profit before taxation	5	**258,391**	251,241
Income tax	6	**(79,956)**	(79,350)
Profit for the period		**178,435**	171,891
Attributable to:			
Equity shareholders of the Company		**179,214**	170,310
Non-controlling interests		**(779)**	1,581
Profit for the period		**178,435**	171,891
Earnings per share	7		
Basic earnings per share *(RMB)*		**0.319**	0.306
Diluted earnings per share *(RMB)*		**0.308**	0.296

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2014

	Note	**Unaudited At 30 June 2014** *RMB'000*	Audited At 31 December 2013 *RMB'000*
Non-current assets			
Property, plant and equipment	8	**295,619**	219,393
Investment property	8	**615,992**	704,159
Intangible assets		**37,598**	38,336
Goodwill		**23,644**	23,644
Interest in associates		**47,119**	44,153
Other non-current financial assets		**3,853**	23,417
Trade and other receivables	9	**1,800**	1,800
Deferred tax assets		**7,078**	11,703
		1,032,703	1,066,605
Current assets			
Trade and other receivables	9	**664,040**	378,601
Restricted deposits		**146,225**	—
Time deposits with original maturity over three months		**86,755**	—
Cash and cash equivalents		**596,244**	1,070,106
		1,493,264	1,448,707
Current liabilities			
Trade and other payables	10	**759,610**	910,883
Bank loans	11	**151,050**	5,000
Current taxation		**51,165**	83,563
Other current financial liabilities		**11,332**	10,500
		973,157	1,009,946
Net current assets		**520,107**	438,761
Total assets less current liabilities		**1,552,810**	1,505,366
Non-current liability			
Deferred tax liability		**7,651**	—
NET ASSETS		**1,545,159**	1,505,366

	Unaudited At 30 June 2014 *RMB'000*	Audited At 31 December 2013 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**173**	172
Reserves	**1,518,481**	1,477,978
Total equity attributable to equity shareholders of the Company	**1,518,654**	1,478,150
Non-controlling interests	**26,505**	27,216
TOTAL EQUITY	**1,545,159**	1,505,366

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2014

	Unaudited	Unaudited
	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Cash used in operations	**(272,878)**	(237,922)
Tax paid	**(100,078)**	(101,938)
Net cash used in operating activities	**(372,956)**	(339,860)
Net cash (used in) / generated from investing activities	**(254,535)**	179,791
Net cash generated from / (used in) financing activities	**152,243**	(119,272)
Net decrease in cash and cash equivalents	**(475,248)**	(279,341)
Cash and cash equivalents at 1 January	**1,070,106**	1,442,752
Effect of foreign exchange rates changes	**1,386**	864
Cash and cash equivalents at 30 June	**596,244**	1,164,275

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in note 2.

2 Changes in accounting policies

The IASB has issued the following 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:

- Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*
- Amendments to IAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to IAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting*
- IFRIC 21, *Levies*

The Group has made an assessment and judgment of what the impact of these amendments is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a material impact on the consolidated financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 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.

4 Other revenue

		Unaudited	Unaudited
		Six months ended 30 June	
		2014	2013
	Note	***RMB'000***	*RMB'000*
Government grant	(i)	**40,000**	30,298
Gain on disposal of other non-current financial asset	(ii)	**32,500**	—
Others		**44**	124
		72,544	30,422

(i) It represented the unconditional discretionary grants received from local government authorities in recognition of the Group's contribution to the development of the local economy.

(ii) It represented the investment gain on disposal of the 4.375% equity interests in CNLive.

5 Profit before taxation

(a) Finance income and costs

	Note	**Unaudited** **Six months ended 30 June** **2014** ***RMB'000***	Unaudited 2013 *RMB'000*
Interest income on bank deposits		**8,861**	11,399
Net foreign exchange gain		**306**	82
Changes in fair value of derivative financial instruments	(i)	**401**	180
Finance income		**9,568**	11,661
Changes in fair value of derivative financial instruments	(ii)	**(832)**	(310)
Others		**(1,961)**	(20)
Finance costs		**(2,793)**	(330)
Net finance income		**6,775**	11,331

(i) It represented the change in fair value of derivative financial instruments in relation to certain rights of Group to (a) convert the shares held by the Group from one class to another, and (b) request for the redemption of its shares in associate under certain conditions.

(ii) It represented the change in the present value of (a) the expected consideration to be paid for the acquisition by the Group of remaining equity interests in a non-wholly owned subsidiary, and (b) a forward exchange contract.

(b) Other items

	Unaudited **Six months ended 30 June** **2014** ***RMB'000***	Unaudited 2013 *RMB'000*
Amortisation	**1,911**	—
Depreciation	**14,820**	10,970
Impairment losses on bad and doubtful accounts	**(81)**	9,759

6 Income tax

	Unaudited	Unaudited
	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Current tax — PRC income tax	**67,680**	71,316
Deferred taxation	**12,276**	8,034
Total income tax expense	**79,956**	79,350

No provision has been made for Hong Kong profits tax as the Company and its subsidiary in Hong Kong did not have assessable profit subject to Hong Kong profits tax during the six months ended 30 June 2014 and 2013.

No provision has been made for Singapore income tax as the Company's subsidiary in Singapore did not have assessable profit subject to Singapore income tax during the six months ended 30 June 2014 and 2013.

Pursuant to the currently applicable income tax rules and the PRC regulations, the Group's entities in the PRC were liable to the PRC Corporate Income Tax at a rate of 25%, except that Beijing Lotour Huicheng Internet Technology Company Limited was at a rate of 15%, during the six months ended 30 June 2014 (six months ended 30 June 2013: 25%).

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB179,214 thousand (six months ended 30 June 2013: RMB170,310 thousand) and the weighted average number of ordinary shares of 562,428,531 (2013: 555,755,368 shares) in issue during the interim period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB179,214 thousand (six months ended 30 June 2013: RMB170,310 thousand) and the weighted average number of ordinary shares of 581,550,955 (2013: 574,481,246 shares).

8 Property, plant and equipment and investment property

During the six months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of RMB1,198 thousand (six months ended 30 June 2013: RMB185,646 thousand) and acquired items of investment property with a cost of RMB125 thousand (six months ended 30 June 2013: RMB690,296 thousand). No items of property, plant and equipment were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: items of property, plant and equipment with a net book value of RMB2,486 thousand were disposed of, resulting in a loss on disposal of RMB64 thousand).

9 Trade and other receivables

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), is as follows:

	Unaudited At 30 June 2014 ***RMB'000***	Audited At 31 December 2013 *RMB'000*
Non-current assets		
Trade and other receivables	**1,800**	1,800
Current assets		
Within 3 months	**76,532**	45,224
3 to 6 months	**52,210**	16,671
6 to 12 months	**8,512**	8,422
Over 12 months	**74,706**	73,955
Total trade and bills receivable	**211,960**	144,272
Less: allowance for doubtful debts	**(73,394)**	(73,475)
Trade and bills receivable, net of allowance for doubtful debts	**138,566**	70,797
Prepayments and deposits to media suppliers	**460,432**	230,840
Advances to employees	**6,259**	4,981
Other debtors and prepayments	**65,049**	78,249
Less: allowance for doubtful debts of other debtors	**(6,266)**	(6,266)
	664,040	378,601
	665,840	380,401

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.

10 Trade and other payables

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), is as follows:

	Unaudited At 30 June 2014 *RMB'000*	Audited At 31 December 2013 *RMB'000*
Due within 3 months or on demand	**7,774**	241,223
Due after 3 months but within 6 months	**857**	15,572
Due after 6 months but within 12 months	**10,992**	37,289
Total trade payables	**19,623**	294,084
Advances from customers	**491,004**	441,106
Payroll and welfare expenses payables	**15,499**	22,523
Other tax payables	**10,628**	5,437
Other payables and accrued charges	**73,813**	146,598
Dividends payable due to equity shareholders of the Company	**147,908**	—
Dividends payable due to non-controlling interests of a subsidiary	**1,135**	1,135
	759,610	910,883

11 Bank loans

At 30 June 2014, the bank loans were repayable as follows:

	Unaudited At 30 June 2014 *RMB'000*	Audited At 31 December 2013 *RMB'000*
Within one year or on demand	**151,050**	5,000

Loans of RMB146,050 thousand were secured by bank deposits of a subsidiary of the Company. Current secured bank loans carried quarterly interest rates of Hibor+290bp for the six months ended 30 June 2014.

Loans of RMB5,000 thousand were guaranteed by third party. Current secured bank loans carried annual interest rates ranging from 6.9% to 7.2% for the six months ended 30 June 2014.

12 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 Company.

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

	Unaudited	Unaudited
	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of approximately RMB13.01 cents per share (six months ended 30 June 2013: approximately RMB10.9 cents per share)	**73,954**	59,726
Special dividend in respect of the previous financial year, approved during the following interim period, of approximately RMB13.01 cents per share (six months ended 30 June 2013: approximately RMB10.9 cents per share)	**73,954**	59,726
	147,908	119,452

Dividends attributable to the previous financial year were fully paid in July 2014 (2013: June).

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE GROUP

In 2014, China's economy is in the progress of comprehensive and intensified reform. In the mid-to-long-term, along with the continuous introduction and implementation of the reform policies, the resource allocation efficiency of the whole society will gradually improve, and marketisation will reach new heights. In the short term, the optimal adjustment of the economic structure will result in a "shifting period" of economic growth. In the first half of 2014, both the media advertising industry in which the Group is engaged and the entire mass culture industry developed at different pace.

Under this situation, the Group maintained its resilience to market pressure in the traditional ascendant cluster of **TV advertising and branding services** and continued to cultivate the newly invested cluster of **internet media and content operations**. During the period under review, all business segments showed healthy development. The overall turnover kept increasing while the expenditures were under proper control, thus contributed stable profits.

BUSINESS OVERVIEW

Internet Media and Content Operations

I. Internet Media

1. www.boosj.com (播視網)

During the period under review, boosj.com, the exquisite video website of the Group, has undergone “transition upgrade” and further optimised the quality of video in pursuit of “serving the livelihood”. As of the end of June 2014, the total click rate and the uploaded video reached 150 million and nearly 220,000 respectively (Source: boosj.com internal data) in the six month period, and the daily average UV and daily average PV reached 450,000 and over a million respectively (Source: CNZZ). Regarding content construction, boosj.com has identified the featured fields, captured market share and continued to explore vertical areas. The new “Square Dance (廣場舞)” channel was well recognised by users and contributed considerable traffic. The newly revamped boosj.com was developed based on enormous data monitoring and user analysis, approaching to the user’s lifestyle and audiovisual habit. The page design was clear, precise and flattened with a new mobile web version. The newly added function of user behavior storage offered a more comprehensive “Big Data” support. At operational level, boosj.com transformed from sole advertising affiliate sales to cooperation with brand clients, which boosted its influence dimensions among clientele.

2. www.lotour.com (樂途旅遊網)

As China’s most featured travel information internet media at present, income of lotour.com significantly increased year-on-year by virtue of its hit product — “destination brand interactive marketing system” (brand homepage products) and effective operations, hence the brand influence climbed to a new level during the period under review. Specifically, the traffic of lotour.com grew steadily owing to the sophisticated construction of its products and content. The cumulative UV and cumulative PV in the first half of 2014 reached 96.30 million and 395.68 million respectively (Source: iResearch). The unique and novel “waterfall” presentation on the brand homepage, which was exclusive in China, embodied the integrated strength and optimised the user experience. The number of clients of the brand homepage continued to increase, and diversification and customisation of cooperation with clients achieved. At the same time, lotour.com reached cooperation with Google as a strategic partner for tourist destination marketing. They joined hands to stimulate the global promotion for China’s tourist destinations. In addition, lotour.com explored video marketing for tourist destinations. WAP version of lotour.com is expected to be launched in the second half of 2014.

3. *www.wugu.com.cn (吾谷網)*

Wugu.com.cn, wholly-owned and self-developed by the Group, has been striving to become the "advanced modern agricultural information services platform in China". During the period under review, wugu.com.cn put its efforts on information products, application products and offline activity support simultaneously and achieved outstanding results such as breakthrough in advertising revenue and enriched marketing models. Particularly in view of content operations, the information product "Wugu Talents (吾谷人才)" went online on March 2014, aimed at providing a demonstration platform for the pan-agricultural human resources market. The application product "Wugu Knowing Agriculture (吾谷農事通)" provided online Q&A for professional questions technically. The upcoming integrated marketing product "One Village, One Product (一村一品)" developed a new group of internet marketing for the featured products in all regions.

4. *Mobile Internet Application — Playform (悅屏)*

Through a keen grasp of the changing market environment, the Group self-developed a multi-screen interactive application "Playform" and launched in June 2014, in order to lay the technological and platform foundation for more diversified inter-screen marketing services in the future. Its debut application "World Cup Playform" built an inter-screen interactive community for TV audience and football fans to participate in, and also provided a multi-form marketing platform for brands in cooperation. For the period of over one month since being online, the cumulative application installation and daily average active users reached nearly 300,000 and 10,000 respectively (Source: Playform internal data). Playform successfully achieved recognition from well-known technology, home appliances and tourism brands. The implementation of the Playform project reflected the Group's technological strength of quick development and accumulated hands-on experience in mobile internet technology platform construction. It was the milestone in interactive operation and socialised marketing, and laid the team and user foundation for the Group's upcoming Playform second stage products.

II. Content Operations

1. *Programme development and operation*

As the Group's first TV reality show "Scent of a Man" attracted attention last year, the Group further expanded into the areas of "Original" and "Production" in the programme development and operation segment during the period under review. "Scent of a Man" Season 2 under planning would import outstanding copyright. Also, the Group contacted other domestic satellite TV to cooperate for programme creative production and strived to present the market with various SinoMedia original programmes at the peak season for TV marketing.

2. *Creative production of advertisement and content*

The Group maintained stable performance on creative production of advertisement and content segment. On top of the existing clientele, the Group acquired new clients by bidding and provided them with creative production services. It embodied SinoMedia's competitiveness and creative strength in the field of video creative production. The team for creative production and syndication of public service advertisements continued to advance in the vision to become China's leading public service broadcaster. Its original public service advertisement "Garbage Sorting" achieved the PSA Excellence Award from China Central Television Station.

TV Advertising and Branding Services

TV advertising and branding services have been intensively cultivated for fifteen years. As a traditional dominant business cluster, it reflected the Group's capabilities in operations and market development and assisted the related advertising services of the "SinoMedia" brand to consolidate its leading position in the market. Under the ever-changing market and industry, the Group will keep on cultivating this business cluster in terms of sales strategy, service capability and clientele development and explore the synergy with emerging business segments, so as to maintain the leading market share in the areas of expertise.

I. TV Media Resources Management

During the period under review, the Group renewed its current exclusive underwriting contracts with approximately 19,274 minutes of advertising time resources on a total of 51 programs on channels including CCTV-1 (General)/CCTV-News (Chinese), CCTV-4 (Chinese International, including Europe and the US), CCTV-7 (Military and Agriculture) and CCTV-NEWS (English), maintaining its market share in programs such as news, politics, agriculture, culture, lifestyle programs and other topics. Its specific media resources include the "Night News" (晚間新聞) on CCTV-1 (General), "News 30" (新聞30分) jointly broadcasted on CCTV-1/CCTV-News (Chinese), "China News" (中國新聞), "Today's Focus" (今日關注), "Across the Straits" (海峽兩岸), "World in Depth" (深度國際), "Exposition of Chinese Cultural Relics" (國寶檔案), "China Showbiz" (中國文藝), "Chinese World" (華人世界) and "Happy Chinese" (快樂漢語) on CCTV-4 (Chinese International, including Europe and the US), programs including "Zhi Fu Jing" (致富經), "Focus on the Three Agricultural Issues" (聚焦三農), "Daily Agricultural News" (每日農經) and "The Rural World" (鄉村大世界) on CCTV-7 (Military and Agriculture), and all programs on CCTV-NEWS (English). In terms of clientele, the Group maintained its substantial advantages in the area of tourism and focused on increasing its efforts to expand in the food, finance and insurance, automobile, internet and high-end consumer goods industries.

II. Integrated Brand Communication Services

Integrated brand communication business comprises brand information, strategy, procurement, advertisement placement, data support and public relations services. During the period under review, beneficial from the Group's creative development on the brand clients from emerging economic sectors as well as the overall increase in number of clients, turnover significantly increased year-on-year. The Group continued to serve clients such as Baidu, Alibaba, Qihoo 360 and McDonald's. The Group was also engaged by Evergrande Spring (Evergrande Group), HTC, Tiens Group, and Haima Automobile for its TV advertising placement and service agency business. The service coverage expanded from existing individual project basis to integrated project system. Media for placement also evenly involved platforms other than CCTV, such as radio, outdoor and internet. It continued to enhance the service capability and strength of the "SinoMedia" brand.

FINANCIAL REVIEW

Revenue and Profit Attributable to the Equity Shareholders of the Company

For the six months ended 30 June 2014, the Group recorded revenue of RMB836,428 thousand, representing a slight decrease of 3% from RMB863,921 thousand for the same period last year.

Revenue details for the period under review are as follows:

I. Revenue recorded from media resources management was RMB787,454 thousand, down 6% from RMB833,289 thousand for the same period last year. During the period under review, the Group maintained its leading market position in such mature business segment and developed its business steadily. However, as a result of the influence of downward pressure for certain industries in China and reduced advertisements for alcohol, the Group's sales of core advertising resources in terms of minutes sold and average sales rate decreased as compared with the same period last year. The Group will continue to develop new client resources and broaden the industry dimensions of our clients, striving to increase the revenue contribution of this business.

II. Turnover recorded from integrated brand communication services was RMB1,031,986 thousand, a significant increase of 68% from RMB613,318 thousand for the same period last year. Under the International Accounting Standards, the Group's revenue is credited as net commission with relevant procurement costs deducted from turnover if the Group procures media resources in the capacity of an agent for clients. On this basis, revenue from this business was RMB10,739 thousand, a decrease of 40% over RMB17,966 thousand for the same period last year. The increase in turnover was attributable to the Group's successful development of numerous new clients on the basis of maintaining existing client resources. The Group has made new breakthroughs and progress in the development of food and beverage, healthcare products, automobile, electronic products and internet client resources. The commission income received from the media suppliers will not be recognised until the second half of the year due to delayed settlement, which resulted in the significant increase in turnover but decrease in revenue for this business for the period under review. It is expected that the commission income will turn back to normal growth in the second half of the year.

III. Revenue recorded from internet media and content operations was RMB22,146 thousand in total, up 51% from RMB14,661 thousand for the same period last year. Revenue recorded from this business was primarily attributable to the revenue from creative production of commercial advertisements and contents, revenue from programme production and operation, and revenue from the operation of internet media. Among which, (1) revenue from creative production of commercial advertisements and contents recorded a decrease as compared with the same period last year due to the influence of the reduction in the budget of our clients; (2) revenue from programme production and operation was mainly the revenue incurred by the production of the original video programme "Scent of a Man", which has not been aired yet during the same period last year; (3) revenue from the operation of internet platforms was mainly the revenue from the three major internet media platforms, namely lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網), under the Group, while the Group has not yet consolidated the profit or loss of lotour.com and boosj.com during the same period last year.

IV. Rental income was RMB28,862 thousand, as compared with RMB13,289 thousand for the same period last year, which mainly represented the revenue from the lease of the office premises of the Group.

During the period under review, both the revenue from core businesses and gross profit margin slightly decreased as compared with the same period last year. However, the Group had a highly effective control on the operating expenses. Also, other revenue such as the gain from the disposal of non-current financial assets and local government incentives contributed a portion of profits to the Group. The profit attributable to equity shareholders of the Company for the six months ended 30 June 2014 amounted to RMB179,214 thousand, representing a year-on-year increase of 5% from RMB170,310 thousand for the same period last year.

Operating Expenses

For the six months ended 30 June 2014, the Group's operating expenses were RMB82,721 thousand in aggregate, representing a decrease of RMB11,029 thousand over the same period last year, and accounted for 9.9% of the revenue (same period last year: 10.9%). In view of the uncertain market environment, the Group strictly controlled the expenses in austerity and actively adjusted the staffing structure, bringing a decrease in total operating expenses and the ratio of expenses to revenue over the same period last year.

Operating expenses include the followings:

I. Selling and marketing expenses amounted to RMB27,901 thousand, showing a decrease of approximately RMB3,799 thousand from RMB31,700 thousand for the same period last year, and accounted for 3.3% of the Group's revenue (same period last year: 3.7%). The decrease in selling and marketing expenses was mainly due to the Group's strict budget management on expenses such as brand promotion and marketing expenses, conference expenses and consultation expenses so as to eliminate waste and extravagance. Accordingly, the expenses decreased by approximately RMB5,148 thousand over the same period last year.

II. General and administrative expenses amounted to RMB54,820 thousand, representing a decrease of approximately RMB7,230 thousand from RMB62,050 thousand for the same period last year, and accounted for 6.6% of the Group's revenue (same period last year: 7.2%). The decrease in general and administrative expenses was mainly due to the fact that: (1) during the second half of the previous year, the Group has orderly moved into the newly acquired office premises which saved external lease expenses, thus the lease expenses reduced by approximately RMB1,907 thousand over the same period last year; (2) under the strict budget control, the office expenses and entertainment expenses reduced by approximately RMB2,575 thousand over the same period last year; (3) after a comprehensive assessment and analysis of the collectability of trade receivables, receivables for the period showed no sign of impairment, therefore the impairment loss of assets decreased by approximately RMB9,840 thousand year-on-year; (4) meanwhile, the Group has completed two acquisitions of internet media during the second half of the previous year, thus the amortisation of intangible asset and the research and development expenses of technology department for the internet media increased by approximately RMB5,331 thousand over the same period last year.

Significant Investments, Acquisitions and Disposals

In December 2013, the Group reached an agreement with a third party to sell the Group's entire 4.375% equity investment in CNLive with a transaction consideration of RMB52,500 thousand. The transaction was completed in March 2014.

Liquidity and Financial Resources

The Group continued to maintain a healthy financial position and adequate liquidity. As at 30 June 2014, the Group's cash and bank balances amounted to RMB596,244 thousand (31 December 2013: RMB1,070,106 thousand), of which approximately 66% was denominated in Renminbi and the remaining 34% in HK dollars and other currencies. In addition, bank time deposits maturing over three months held by the Group in Renminbi amounted to RMB86,755 thousand, and the restricted deposits amounted to RMB146,225 thousand (31 December 2013: nil). Despite a decrease in the Group's cash and bank balances as compared to the end of last year, the cash and bank balances can adequately meet the requirements for healthy and sustainable day-to-day business development. During the period, details of the cash flows status were as follows:

I. Net cash outflow from operating activities was RMB372,956 thousand (RMB339,860 thousand for the same period last year). The net outflow was mainly attributable to: (1) the full settlement to media suppliers of outstanding media agency costs for prior years during the period, which led to a significant decrease in trade payables by approximately RMB274,461 thousand over the end of last year; (2) prepayments to media suppliers of media agency costs and deposits increased due to the change in billing cycle, which led to an increase in prepayments by approximately RMB229,592 thousand over the end of last year;

II. Net cash outflow from investing activities was RMB254,535 thousand (net cash inflow of RMB179,791 thousand for the same period last year). The net outflow was mainly attributable to: (1) the Group utilised various means of financial management which fulfilled the risk control requirements to raise the overall return on surplus funds. The cash outflow utilised on these bank deposits totalled RMB232,980 thousand; (2) cash inflow of RMB52,500 thousand regarding the disposal of an equity investment; (3) cash outflow of RMB78,863 thousand regarding the payment of the balance of the related expenses for the acquisition of office premises;

III. Net cash inflow from financing activities was RMB152,243 thousand (net cash outflow of RMB119,272 thousand for the same period last year), which was mainly a short-term borrowing of RMB146,050 thousand obtained through credit facilities secured by deposits in the Mainland for the payment of 2013 dividends of the Company. The dividends were paid in July 2014.

As at 30 June 2014, the Group's total assets amounted to RMB2,525,967 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,518,654 thousand and non-controlling interests of RMB26,505 thousand.

As at 30 June 2014, the Group's outstanding bank loans amounted to RMB151,050 thousand, including: (1) a short-term borrowing of RMB146,050 thousand obtained by the Company through credit facilities secured by deposits in the Mainland; and (2) a short-term borrowing of RMB5,000 thousand of a subsidiary of the Group obtained before the Group's capital injection and shareholding and extended to present.

The majority of the Group's turnover, expenses, and capital investments were denominated in RMB.

Human Resources

As at 30 June 2014, the Group had a total of about 610 employees, a slight decrease over the beginning of the year. In connection with the experience gained from and problems to be solved in human resources development and management for the previous year, the Group established two specific solutions, namely "CTV Campus Recruiting Programme" for junior staff selection and "SinoMedia Training Camp for General Managers" for optimisation of senior management team. These two solutions consummated the Group's talent team and human resources system function by selection of and training for junior staff as well as competence enhancement of the management team, so as to meet the demand of talents under the diversified business development of the Group. In addition, we continued to provide employees with an incentive and remuneration policy that was competitive. Completion of promotion channel for specialists enabled more professionals in the fields of technology, product, marketing and operation to enjoy great space for development and reasonable rewards. We provided employees with splendid and flexible benefit schemes such as insurance, housing provident fund, medical check-ups, and professional salon and holiday gifts. Besides, we planned and provided professional training and team development training for various employees. Accordingly, we satisfied diverse needs of employees and strived to establish a competitive talent development platform. In order to align the personal interests of employees with those of shareholders, share options are granted to employees under the Company's share option schemes. Share options that were granted and remained unexercised as of the end of the period totalled 31,946,500 units.

INDUSTRY AND GROUP OUTLOOK

As the economic structural adjustments and reform have intensified, China's economy has entered a new phase in 2014. Under the process of structural adjustments, all sectors will still encounter numerous uncertainties in the second half of the year. With regard to the media advertising market, according to the latest published "China Advertising Market Overview in the First Half of 2014" by CTR, an authoritative research institute, the China advertising spend (including outdoor video media and internet) in the first half of 2014 increased by 4.1% year-on-year. Among which, the traditional advertising market merely increased by a slow growth rate of 0.9%. In contrast, outdoor video media and internet had a more significant driving force on the market in general.

In face of the complex market environment, the Group upholds the way to "stable development" which adapts to the current economic situation and industry outlook, so as to maintain the industry advantages in traditional areas and keep optimising resources allocation at the same time. The Group continues to increase its investment in and development for new internet media projects, in order to respond to the mass media wave of the emerging technical sector, emerging technology sector and emerging services sector which have sprung up during the mid- and long-term catalysis of "directional regulation".

Accordingly, in the area of **TV advertising and branding services**, the Group will maintain the advantages in vertical areas and client market, and explore the innovative modes of communications to open up the collaboration pipeline of "Marketing + Strategy + Creativity". The Group will master the emerging ways of advertising resources operation and procurement to expand the dimensions of branding services and bring synergy to the Group's emerging business clusters, thus develop an imagination of creative communications for local industry and client markets. In the **internet media and content operations** segment, the Group focuses on constructing more practical, interesting and highly instrumental information platform and mobile applications, builds a solid foundation and keeps expanding the population size of internet and mobile users, hence to speed up the accumulation of user value for the future. Of which, lotour.com aims at content maintenance and product revision with the goal of increasing sales. "Personal Homepage", "Featured Channel" and "Play Channel" will be launched in turn, in line with the objective of user services and user experience enhancement. Boosj.com is determined to "serve the livelihood" by continuously exploring the highlight content channels and extending the age dimension of users. Moreover, it will expand the cooperation with external content copyrights, gradually introduce the system for user participation, build the user data center and start utilise big data marketing. Wugu.com.cn will develop its hit product by integrating its progressively advanced technology development and product promotion and its established industry publicity for further marketisation and industrialisation.

SinoMedia has marched with the industry for fifteen years. We always create value with integrity, professionalism and effort. Our unchanging mission is to develop with sustainability, timely cope with the changing market, serve our clients, reward the industry and bring returns for investors.

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

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2014, the Company had complied with all the applicable provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save for the deviation from code provision A.6.7.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other pre-arranged business engagements which must be attended to by Mr. Qi Daqing and Mr. Lian Yuming, the independent non-executive directors of the Company, they were not able to be present at the annual general meeting of the Company held on 12 June 2014.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules 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 2014.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has, together with the management of the Company, reviewed the Group's unaudited consolidated financial statements and the interim report for the six months ended 30 June 2014, including the accounting principles and practices adopted by the Group.

On behalf of the Board
SinoMedia Holding Limited
CHEN Xin
Chairman

Hong Kong, 28 August 2014

As at the date of this announcement, the Board comprises Mr. Chen Xin, Ms. Liu Jinlan and Mr. Li Zongzhou as executive directors, Mr. He Hui David as non-executive director and Mr. Ding Junjie, Mr. Qi Daqing, Mr. Lian Yuming and Ms. Wang Xin as independent non-executive directors.