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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL SUMMARY

RMB'000	**For the year ended 31 December 2014**	For the year ended 31 December 2013	**Change (%)**
Revenue	**1,634,652**	1,767,036	-7%
Profit from operations	**424,126**	506,131	-16%
Profit attributable to equity shareholders of the Company	**306,571**	369,108	-17%
Earnings per share *(RMB)*			
— Basic	**0.542**	0.661	-18%
— Diluted	**0.528**	0.636	-17%
Proposed dividends per share *(HKD)*			
— Final	**13.50 cents**	16.48 cents	-18%
— Special	**13.50 cents**	16.48 cents	-18%

Revenue:

RMB'000	**For the year ended 31 December 2014**	For the year ended 31 December 2013	**Change (%)**
Media resources management	**1,510,881**	1,670,774	-10%
Integrated brand communication services	**34,037**	49,820	-32%
Internet media and content operations	**54,961**	49,088	+12%
Rental income	**58,837**	34,509	+70%
Sales taxes and surcharges	**(24,064)**	(37,155)	-35%
Revenue	**1,634,652**	1,767,036	

Turnover:

RMB'000	**For the year ended 31 December 2014**	For the year ended 31 December 2013	**Change (%)**
Media resources management	**1,510,881**	1,670,774	-10%
Integrated brand communication services	**1,509,411**	1,206,902	+25%
Internet media and content operations	**54,961**	49,088	+12%
Rental income	**58,837**	34,509	+70%
Sales taxes and surcharges	**(24,064)**	(37,155)	-35%
Turnover	**3,110,026**	2,924,118	

The Board of directors (the "**Board**") of SinoMedia Holding Limited ("**SinoMedia**" or the "**Company**") is pleased to announce the audited results and financial position of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2014, with comparative figures for previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	Note	**2014** **RMB'000**	2013 RMB'000
Revenue		**1,634,652**	1,767,036
Cost of services		**(1,155,855)**	(1,122,346)
Gross profit		**478,797**	644,690
Other revenue	3	**53,321**	46,925
Other net income	3	**60,118**	—
Selling and marketing expenses		**(54,654)**	(65,799)
General and administrative expenses		**(113,456)**	(119,685)
Profit from operations		**424,126**	506,131
Finance income	4(a)	**18,790**	21,823
Finance costs	4(a)	**(11,499)**	(914)
Net finance income		**7,291**	20,909
Share of (loss)/profit of associates		**(840)**	3,455
Profit before taxation	4	**430,577**	530,495
Income tax	5	**(124,691)**	(158,808)
Profit for the year		**305,886**	371,687
Attributable to:			
Equity shareholders of the Company		**306,571**	369,108
Non-controlling interests		**(685)**	2,579
Profit for the year		**305,886**	371,687
Proposed dividends	6	**121,732**	146,066
Earnings per share	7		
Basic earnings per share *(RMB)*		**0.542**	0.661
Diluted earnings per share *(RMB)*		**0.528**	0.636

Consolidated Statement of Financial Position

At 31 December 2014

	Note	**2014** *RMB'000*	2013 *RMB'000*
Non-current assets			
Property, plant and equipment	8	**272,555**	219,393
Investment property	8	**629,949**	704,159
Intangible assets		**39,955**	38,336
Goodwill		**18,015**	23,644
Investments in associates		**6,850**	44,153
Other non-current financial assets		**—**	23,417
Trade and other receivables	9	**2,550**	1,800
Deferred tax assets		**6,186**	11,703
		976,060	1,066,605
Current assets			
Other current financial asset		**4,157**	—
Trade and other receivables	9	**427,567**	378,601
Pledged bank deposits		**152,183**	—
Time deposits with original maturity over three months		**30,692**	—
Cash and cash equivalents		**801,773**	1,070,106
		1,416,372	1,448,707
Current liabilities			
Trade and other payables	10	**517,855**	910,883
Bank loans	11	**145,152**	5,000
Current taxation		**49,571**	83,563
Other current financial liability		**534**	10,500
		713,112	1,009,946
Net current assets		**703,260**	438,761
Total assets less current liabilities		**1,679,320**	1,505,366
NET ASSETS		**1, 679,320**	1,505,366

	Note	**2014**	2013
		RMB'000	*RMB'000*
CAPITAL AND RESERVES			
Share capital	12	**500,734**	172
Reserves		**1,168,674**	1,477,978
Total equity attributable to equity shareholders of the Company		**1,669,408**	1,478,150
Non-controlling interests		**9,912**	27,216
TOTAL EQUITY		**1,679,320**	1,505,366

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to equity shareholders of the Company										
	Share Capital *RMB'000* *(note 24(c))*	**Share premium** *RMB'000*	**Capital Redemption reserve** *RMB'000* *(note 24(d))*	**Capital reserve** *RMB'000* *(note 24(d))*	**Statutory reserve** *RMB'000* *(note 24(d))*	**Translation reserve** *RMB'000* *(note 24(d))*	**Other reserves** *RMB'000* *(note 24(d))*	**Retained profits** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
Balance at 1 January 2013	171	472,973	22	34,972	60,788	(3,430)	(9,338)	668,555	1,224,713	8,987	1,233,700
Changes in equity for 2013:											
Profit for the year	—	—	—	—	—	—	—	369,108	369,108	2,579	371,687
Other comprehensive income	—	—	—	—	—	(1,156)	—	—	(1,156)	—	(1,156)
Total comprehensive income	—	—	—	—	—	(1,156)	—	369,108	367,952	2,579	370,531
Appropriation to reserves	—	—	—	—	21,844	—	—	(21,844)	—	—	—
Purchase of subsidiaries	—	—	—	—	—	—	—	—	—	16,235	16,235
Shares issued under share option scheme	1	12,240	—	(10,042)	—	—	—	—	2,199	—	2,199
Equity-settled share-based transactions	—	—	—	2,739	—	—	—	—	2,739	—	2,739
Dividends declared in respect of the current year	—	—	—	—	—	—	—	(119,453)	(119,453)	(585)	(120,038)
Balance at 31 December 2013 and at 1 January 2014	172	485,213	22	27,669	82,632	(4,586)	(9,338)	896,366	1,478,150	27,216	1,505,366
Changes in equity for 2014:											
Profit for the year	—	—	—	—	—	—	—	306,571	306,571	(685)	305,886
Other comprehensive income	—	—	—	—	—	3,301	—	—	3,301	—	3,301
Total comprehensive income	—	—	—	—	—	3,301	—	306,571	309,872	(685)	309,187
Appropriation to reserves	—	—	—	—	7,842	—	—	(7,842)	—	—	—
Contribution from non-controlling interests	—	—	—	167	—	—	—	—	167	68	235
Acquisition of non-controlling interests	—	—	—	—	—	—	11,646	4,681	16,327	(16,327)	—
Shares issued under share option scheme	2	15,325	—	(4,640)	—	—	—	—	10,687	—	10,687
Equity-settled share-based transactions	—	—	—	2,113	—	—	—	—	2,113	—	2,113
Transition to no-par value regime	500,560	(500,538)	(22)	—	—	—	—	—	—	—	—
Dividends declared in respect of the current year	—	—	—	—	—	—	—	(147,908)	(147,908)	(360)	(148,268)
Balance at 31 December 2014	500,734	—	—	25,309	90,474	(1,285)	2,308	1,051,868	1,669,408	9,912	1,679,320

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	2014	2013
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	**430,577**	530,495
Adjustments for:		
Depreciation	**28,927**	24,187
Amortization of intangible assets	**3,991**	1,039
Impairment of goodwill	**5,629**	—
Finance costs	**4,496**	351
Finance income	**(18,790)**	(21,823)
Net gain on disposal of available-for-sale securities	**(60,118)**	—
Share of profits less losses of associates	**840**	(3,455)
Net loss on sale of property, plant and equipment	**110**	157
Equity-settled share-based payment expense	**2,113**	2,739
	397,775	533,690
Changes in working capital:		
(Increase)/Decrease in trade and other receivables	**(51,302)**	109,101
Decrease in trade and other payables	**(311,997)**	(738,207)
	34,476	(95,416)
PRC income tax paid	**(153,166)**	(167,012)
Net cash used in operating activities	**(118,690)**	(262,428)
Investing activities		
Payment for purchase of property, plant and equipment	**(87,306)**	(7,636)
Payment for purchase of intangible assets	**(5,610)**	(88)
Proceeds from sales of property, plant and equipment	**—**	2,427
Payment for acquisition of subsidiaries, net of cash acquired	**—**	(3,797)
Proceeds from disposal of investee	**116,749**	—
Payment of restricted cash	**(152,183)**	—
Placement of term deposits with initial term over three months	**(30,692)**	—
Interest received	**14,633**	19,701
Net cash (used in)/generated from investing activities	**(144,409)**	10,607

	2014	2013
	RMB'000	*RMB'000*
Financing activities		
Proceeds from new bank loans	**146,452**	—
Repayment of bank loans	**(6,300)**	(3,000)
Proceeds from shares issued under share option scheme	**10,687**	2,199
Other borrowing costs paid	**(255)**	(111)
Payment for purchase of non-controlling interests	**(10,784)**	—
Dividends paid to non-controlling interests	**(488)**	(501)
Dividends paid to equity shareholders of the Company	**(147,908)**	(119,453)
Net cash used in financing activities	**(8,596)**	(120,866)
Net decrease in cash and cash equivalents	**(271,695)**	(372,687)
Cash and cash equivalents at 1 January	**1,070,106**	1,442,752
Effect of foreign exchange rate changes	**3,362**	41
Cash and cash equivalents at 31 December	**801,773**	1,070,106

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**"), International Accounting Standards ("**IAS**") and Interpretations 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 measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value:

- derivative financial instruments

The IASB has issued the following amendments to IFRS and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- 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*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

2 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.

3 Other revenue and net income

	Note	**2014** *RMB'000*	2013 *RMB'000*
Other revenue			
Government grant	(i)	**52,236**	46,800
Others		**1,085**	125
		53,321	46,925

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

	2014 *RMB'000*	2013 *RMB'000*
Other net income		
Disposal of available-for-sale securities	**60,118**	—

4 Profit before taxation

(a) Finance income and costs

	Note	**2014** *RMB'000*	2013 *RMB'000*
Interest income on bank deposits		**14,633**	19,701
Changes in fair value of derivative financial instruments	(i)	**4,157**	2,122
Finance income		**18,790**	21,823
Interest on bank borrowings wholly repayable within five years		**(255)**	(111)
Changes in fair value of derivative financial instruments	(ii)	**(4,241)**	(240)
Net foreign exchange loss		**(5,183)**	(522)
Others		**(1,820)**	(41)
Finance costs		**(11,499)**	(914)
Net finance income		**7,291**	20,909

(i) It represented the change in fair value of a forward exchange contract.

(ii) 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, (b) request for the redemption of its shares in an associate under certain conditions. In the year of 2014, the Group disposed all the shares in the associate.

It also represented the change in the fair 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. In the year of 2014, the Group acquired all the remaining equity interests of the non-wholly owned subsidiary.

(b) Staff cost

	2014 *RMB'000*	2013 *RMB'000*
Salaries, wages and other benefits	**79,334**	77,364
Contribution to defined contribution plan	**18,817**	16,735
Equity-settled share-based payment expenses	**2,113**	2,739
	100,264	96,838

(c) Other items

	2014 *RMB'000*	2013 *RMB'000*
Amortization	**3,991**	1,039
Depreciation	**28,927**	24,187
Impairment losses on assets and goodwill	**7,214**	8,245
Operating lease charges	**9,182**	10,692
Auditors' remuneration	**3,200**	3,200
Professional fee	**2,955**	3,936
Research and development costs	**2,169**	1,664

5 Income tax

	2014	2013
	RMB'000	*RMB'000*
Current tax		
Provision for PRC income tax	**119,174**	158,909
Deferred tax		
Origination and reversal of temporary differences	**5,517**	(101)
Total income tax expense	**124,691**	158,808

No provision has been made for Hong Kong profits tax as the Company and its subsidiary in Hong Kong did not earn any income subject to Hong Kong profits tax during the year.

No provision has been made for Singapore income tax as the Company's subsidiary in Singapore did not earn any income subject to Singapore income tax during the year.

Pursuant to the currently applicable income tax rules and regulations of the PRC, 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 year ended 31 December 2014.

6 Proposed dividends

	2014	2013
	RMB'000	*RMB'000*
Dividends proposed after the balance sheet date:		
Proposed final dividend of HKD13.50 cents (equivalent to approximately RMB10.71 cents) per ordinary share (2013: HKD16.48 cents, approximately RMB13.01 cents)	**60,866**	73,033
Proposed special dividend of HKD13.50 cents (equivalent to approximately RMB10.71 cents) per ordinary share (2013: HKD16.48 cents, approximately RMB13.01 cents)	**60,866**	73,033
	121,732	146,066

Pursuant to a resolution passed at the Director's meeting on 19 March 2015, a final dividend of HKD13.50 cents (2013: HKD16.48 cents) per share and a special dividend of HKD13.50 cents (2013: HKD16.48 cents) per share in respect of the year ended 31 December 2014 totalling HKD153,418 thousand (equivalent to approximately RMB121,732 thousand at an exchange rate of 0.79346) (2013: HKD185,001 thousand, equivalent to approximately RMB146,066 thousand at an exchange rate of 0.78954) will be proposed for shareholders' approval at the Annual General Meeting. Final dividend and special dividend of HKD153,418 thousand in total proposed after the statement of financial position date has not been recognised as a liability at the end of the reporting period.

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 RMB306,571 thousand (2013: RMB369,108 thousand) and the weighted average of 565,116 thousand ordinary shares (2013: 558,351 thousand shares) in issue during the year, calculated as follows:

Profit attributable to ordinary equity shareholders	**2014**	2013
	RMB'000	*RMB'000*
Profit for the year	**306,571**	369,108
Profit attributable to ordinary equity shareholder	**306,571**	369,108

Weighted average number of ordinary shares	**2014**	2013
	'000	*'000*
Issued ordinary shares at 1 January	**561,289**	555,686
Effect of issues of ordinary shares upon exercise of share options	**3,827**	2,665
Weighted average number of ordinary shares at 31 December	**565,116**	558,351

(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 RMB306,571 thousand (2013: RMB369,108 thousand) and the weighted average number of ordinary shares of 581,130 thousand shares (2013: 580,085 thousand shares) after adjusting for the effect of share options in issue, calculated as follows:

Profit attributable to ordinary equity shareholders (diluted)	**2014**	2013
	RMB'000	*RMB'000*
Profit attributable to ordinary equity shareholders (basic and diluted)	**306,571**	369,108

Weighted average number of ordinary shares (diluted)	**2014**	2013
	'000	*'000*
Weighted average number of ordinary shares (basic)	**565,116**	558,351
Effect of share options in issue	**16,014**	21,734
Weighted average number of ordinary shares (diluted) at 31 December	**581,130**	580,085

8 Property, plant and equipment and investment property

	Buildings *RMB'000*	Fixtures, fittings and computer equipment *RMB'000*	Motor vehicles *RMB'000*	Sub-total *RMB'000*	Investment property *RMB'000*	Total *RMB'000*
Original cost						
Balance at 1 January 2013	50,162	6,853	16,166	73,181	3,988	77,169
Additions	210,449	13,646	1,259	225,354	725,260	950,614
Decreases	(49,279)	(3,648)	(1,638)	(54,565)	—	(54,565)
Balance at 31 December 2013	211,332	16,851	15,787	243,970	729,248	973,218
Balance at 1 January 2014	211,332	16,851	15,787	243,970	729,248	973,218
Additions	80,744	3,116	—	83,860	17,126	100,986
Decreases	(15,887)	(650)	(505)	(17,042)	(77,116)	(94,158)
Balance at 31 December 2014	**276,189**	**19,317**	**15,282**	**310,788**	**669,258**	**980,046**
Depreciation						
Balance at 1 January 2013	9,028	3,337	7,563	19,928	222	20,150
Depreciation for the year	7,798	8,290	2,624	18,712	24,867	43,579
Decreases	(11,361)	(1,146)	(1,556)	(14,063)	—	(14,063)
Balance at 31 December 2013	5,465	10,481	8,631	24,577	25,089	49,666
Balance at 1 January 2014	5,465	10,481	8,631	24,577	25,089	49,666
Depreciation for the year	10,040	2,788	2,259	15,087	16,137	31,224
Decreases	(380)	(618)	(433)	(1,431)	(1,917)	(3,348)
Balance at 31 December 2014	**15,125**	**12,651**	**10,457**	**38,233**	**39,309**	**77,542**
Carrying amounts						
At 31 December 2014	**261,064**	**6,666**	**4,825**	**272,555**	**629,949**	**902,504**
At 31 December 2013	205,867	6,370	7,156	219,393	704,159	923,552

9 Trade and other receivables

	Note	2014 *RMB'000*	2013 *RMB'000*
Non-Current assets			
Trade and other receivables		**2,550**	1,800
Current assets			
Trade debtors and bills receivable		**163,307**	144,272
Less: allowance for doubtful debts		**(71,080)**	(73,475)
	(i)	**92,227**	70,797
Prepayments and deposits to media suppliers		**291,904**	230,840
Advances to employees		**2,372**	4,981
Other debtors and prepayments		**51,310**	78,249
Less: allowance for doubtful debts of other debtors		**(10,246)**	(6,266)
		427,567	378,601
		430,117	380,401

(i) 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:

	2014 *RMB'000*	2013 *RMB'000*
Neither past due nor impaired	**52,111**	45,224
Less than 6 months past due	**29,815**	25,032
More than 6 months but less than 12 months past due	**9,729**	268
More than 12 months past due	**572**	273
Total amount past due	**40,116**	25,573
	92,227	70,797

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

	Note	2014 *RMB'000*	2013 *RMB'000*
Trade payables	(i)	**16,956**	294,084
Payroll and welfare expenses payables		**19,197**	22,523
Other tax payables		**16,587**	5,437
Other payables and accrued charges		**56,180**	146,598
Dividends payable due to non-controlling interest of a subsidiary		**1,006**	1,135
		109,926	469,777
Advances from customers		**407,929**	441,106
		517,855	910,883

(i) An ageing analysis of trade payables is as follows:

	2014 *RMB'000*	2013 *RMB'000*
Due within 3 months	**326**	241,223
Due after 3 months but within 6 months	**330**	15,572
Due after 6 months but within 12 months	**16,300**	37,289
	16,956	294,084

11 Bank loans

At 31 December 2014, the bank loans were repayable as follows:

	2014 *RMB'000*	2013 *RMB'000*
Within one year or on demand	**145,152**	5,000

Loans of RMB145,152 thousand were secured by bank deposits of a subsidiary of the Company. Current secured bank loans carried annual interest rates of quarterly Hibor+290bp for the year ended 31 December 2014.

12 Share Capital

	2014		2013	
	No. of shares	***HKD'000***	No. of shares	*HKD'000*
Authorised:				
Ordinary shares of HKD0.0003125 each				
At 1 January and 31 December	**—**	**—**	1,800,000,000	563
Ordinary shares, issued and fully paid:				
At 1 January	**561,289,370**	**175**	555,685,900	174
Shares issued under share option scheme	**6,926,000**	**2**	5,603,470	1
Transition to no-par value regime on 3 March 2014	**—**	**568,775**	—	—
At 31 December	**568,215,370**	**568,952**	561,289,370	175
RMB equivalent		**500,734**		172

Under the new Hong Kong Companies Ordinance (Cap. 622), which commenced operation on 3 March 2014, the concept of authorised share capital no longer exists.

In accordance with section 135 of the new Hong Kong Companies Ordinance (Cap. 622), the Company's shares no longer have a par or nominal value with effect from 3 March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.

In accordance with the transitional provisions set out in section 37 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) on 3 March 2014 any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital.

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE GROUP

In 2014, in light of the long changes in domestic economy, consumption, industries and clients, "steady development" has been the Group's top priority. By heading off challenges and adhering to the execution of its established strategies, the Group maintained its leading position in the market share of its core business and continued to invest in the development of its new media business.

In 2014, owing to the complicated and ever-changing international environment as well as the arduous task of domestic development and reform, China's economy faced notable downside pressure. In the progress of comprehensive and intensified reform, China's media advertising industry ushered in the critical year of integrated development. Apart from the enhanced efforts of the regulatory authorities in monitoring the order of the industry, the acceleration of trial integration and restructuring was the main development trend in the industry. In this context, the layout of the advertising market experienced great changes and the scale effect of internet continued to grow, which hindered the absolute value of total income of other media advertising and recorded a plummet year-on-year. Nevertheless, the advertising income of internet media increased over 40% and was expected to outweigh TV media to become the largest advertising media throughout the year (Source: State Administration of Press, Publication, Radio, Film and Television, December 2014). According to the research of CTR Media Intelligence, throughout the year of 2014, negative growth was recorded in the traditional media advertising market, in which advertising spending was down 1.7% year-on-year. While print media advertising kept dropping, the then increasing advertising spending of TV media also declined (-0.5%), which was one of the main reason of the downturn of traditional media advertising in 2014. (Source: CTR Media Intelligence, February 2015).

During the year under review, each business segment of the Group demonstrated its financial management capability under the above situation and achieved certain breakthrough in the field of internet business.

BUSINESS OVERVIEW

With a history of 16 years, SinoMedia, evolved from TV advertising agency to media operator, is now a leading comprehensive media corporation that owns vertical internet media in the domestic market. "SinoMedia" brand is also a leader in China 4A, equipped with professional and highly effective services as well as progressive operational strategies, the Group has accumulated nearly 3,000 clients in total. In a series of "media integration", the Group was also able to track the market changes and adapt to the market demand, recognise its mission as user-oriented and the provision of high-quality communication platform to its clients, and increase the resources allocation for internet and mobile internet projects in order to face the challenge of comprehensive and intensified reform in the media advertising market.

The Group has formed two business clusters, namely "TV advertising and branding services" and "Internet media and content operations".

TV Advertising and Branding Services

TV advertising and branding services is the Group's traditional dominant business. The operation of exclusively underwritten TV advertising resources and the provision of brand services serve as the energy source for the Group's sustainable healthy development.

1. **TV Media Resources Management**

   During the year under review, the Group renewed its current exclusive underwriting rights, which further consolidated its absolute leading position in the advertisement underwriting business primarily of CCTV's programme advertisements. The Group had approximately 38,860 minutes of advertising resources on a total of 40 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), holding its market share in program types such as news, culture, agriculture, feature, 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 (General)/CCTV-News (Chinese), "China News" (中國新聞), "Today's Focus" (今日關注), "Across the Straits" (海峽兩岸), "Exposition of Chinese Cultural Relics" (國寶檔案), "China Showbiz" (中國文藝) and two advertising resources timeslots 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 market share in the area of tourism and brought in development of focused client sectors in daily necessities, information technology, construction materials and energy sectors.

2. **Integrated Brand Communication Services**

   To establish a more retaining and long-term cooperation with clients, the Group actively provides clients with extensive and professional brand services. Service content is innovative with service coverage expanded from CCTV to local TV station, radio, printing, internet and mobile internet. Client base also expanded from financial and insurance industry to industries such as information technology, fast food chains and home appliance. During the year under review, not only had the Group continued to serve clients such as Ping An Insurance (Group) Company of China, Ltd., The People's Insurance Company (Group) of China Limited, China Life Insurance Group, Shanghai Pudong Development Bank Co., Ltd., Huiyuan Group, Jiangsu King's Luck Brewery Joint-Stock Co., Ltd., Qihoo 360 Technology Co., Ltd., Baidu, McDonald's and Shandong Provincial Tourism Administration, but also engaged by China Petrochemical Corporation, FAW Haima Automobile Co., Ltd., Evergrande Group and National Tourism Administration for its TV advertising placement and service agency business, and reached cooperation intention with Midea Electric, Tiens Group and other clients.

Internet Media and Content Operations

The overall planning for the business cluster of Internet media and content operations reflects the Group's determination and momentum for upgrading strategic structure to lay the foundation for the mid-to-long-term value of the Group as an inter-screen media operation platform. Meanwhile, it also shows the Group's insight on media sector and market layout, i.e. combining with its own characteristics to make adjustments which fit well to the market, which is a representation of capacity and a necessary rule for sustainable development.

1. Internet Media

1. www.lotour.com (樂途旅遊網)

lotour.com, which ranked the first in terms of the daily average user coverage in the field of travel information sharing in China, is the most influential travel information service platform (Source: iResearch). Leveraging on the tourist destination interactive marketing system (brand homepage products), lotour.com was able to seize the market initiative and set up a new marketing model for travel websites. lotour.com joined hands with Google to stimulate the global business for China's tourist destinations while capturing users and clients. In addition, its brand new exclusive "Play Channel" was also under preparation. During the year under review, the annual net website traffic of lotour.com increased 92% year-on-year (Source: internal data). Income significantly increased and a breakeven was achieved as planned. lotour.com and the Group's existing travel-related clientele were highly synergistic, which was the Group's important deployment in strategic upgrading plan.

2. www.boosj.com (播視網)

As an innovative internet video media platform of the Group, boosj.com gradually displayed its influence on the informative video industry in China. boosj.com was committed in the implementation of a robust system that platform, content, devices and applications all rolled into one. During the year under review, boosj.com presented a new image in terms of page design, content planning and user centre in both PC and mobile web versions, making a breakthrough by interconnecting the three screens data. boosj.com stood firm to "Content is king" and emphsised on developing featured content and vertical channels. Its "Square Dance (廣場舞)" channel contributed to around 20% stable website traffic to the whole website. At the same time, benefited from the active audience of the channel, offline activities centred around the theme of "Square Dance" were also successfully commenced this year. Conducting research on verified content channels, boosj.com has put efforts into becoming the first dance video website in China that serves the livelihood of urban internet users. During the year under review, the DPV of boosj.com surged to the million level (Source: CNZZ).

3. www.wugu.com.cn (吾谷網)

During the year under review, positioning as the "modern agricultural information services platform", wugu.com.cn identified the three development paths of information products, application products and offline activity support, pushed forward the establishment of "China Agricultural Information Media Alliance", conducted independent research and development on products such as "Wugu Talents (吾谷人才)" and "One Village, One Product (一村一品) — Beijing" and organised "Wugu New Farmers' Long March". Several industrial trips were arranged to visit the advanced agricultural units in Taiwan and Sichuan. As a result, online and offline resources were able to expand simultaneously, attention on the website has been well aroused, and a breakthrough in turnover has been also achieved. In December 2014, wugu.com.cn and relevant authorities of Ministry of Agriculture of China achieved cooperation and obtained the data authorisation for "One Village, One Product" to commence the O2O service project, namely "National Station for One Village, One Product". Since its establishment in 2012, with its own efforts and the Group's resources allocation, wugu.com.cn started to build up its reputation in the industry. wugu.com.cn will continue to cultivate intensively in the vertical agricultural field, and to provide a platform and communication support for the users and clients in the pan-agricultural field.

2. Content Operations

1. Programme development and operation

During the year under review, the Group's first original lifestyle reality show, "Scent of a Man", rounded off successfully and was also released overseas. In line with the objective of producing valuable and talk-of-the-town programme for the Group, the video business department of the Group kept exploring by importing outstanding copyright, co-production operations with satellite TV and in-depth cooperation with clients of renowned-brand as well as conducting project predictions in strict compliance with the situation of business recruitment when selling, while at the same time concluding the first-hand experience in creativity, integration, operation and promotion. Up till now, the Group and a domestic provincial satellite TV has reached a cooperation intention to launch a programme with themes of medical care, travel, and talk show in mind.

2. Creative production of advertisement and content

To better welcome the ever-changing creative environment of advertising, during the year under review, the Group's creative team took the initiative to restructure, brought in excellent leading talents as well as put emphasis on the professional ability assessment of the core member of the creative team, aiming to build a creative production team that can represent the standard of China 4A. In addition to the continuous efforts to work with Everbright Group, Wanda Group and Yiwu Municipal Publicity Department, the Group's new team also provided creative and film production of annual promotional videos for Agricultural Bank of China, Shanghai Urban Construction Commission and Inner Mongolia Tourism Administration as well as creative advertisement production for Sports Lottery Center of General Administration of Sport of China. During the year under review, the Group's public service brand communication team was also awarded as CCTV Outstanding Advertising Production Unit, and developed the innovative multi-screen interactive integrated marketing communication products, namely "SinoMedia's Charity" project, along with other award-winning works such as "Come Back Home", "Civilised Travel Series", "Anti-corruption (Ink and Wash)", "Express Your Filial Piety", "Civilised Chinese Series" and "Garbage Sorting Series" that fully demonstrated the positive energy of the public service brand of "SinoMedia".

FINANCIAL REVIEW

Revenue and Profit Attributable to the Equity Shareholders of the Company

For the year ended 31 December 2014, the Group recorded revenue of RMB1,634,652 thousand, representing an decrease of 7.5% from RMB1,767,036 thousand last year.

Revenue details for the year under review are as follows:

1. Revenue recorded from media resources management was RMB1,510,881 thousand, a decrease of 9.6% from RMB1,670,774 thousand last year. During the year under review, the Group continued to maintain its leading market position in such business with stable business development. As a result of the overall slowdown in the economic growth in China, the increasing downward pressure for certain industries, and the continual decline in advertising spending, such as advertisements for alcohol, the Group's sales of core advertising resources in terms of minutes sold and average sales rate decreased as compared with last year, resulting in a decrease in the revenue for the year as compared with last year.

2. Turnover recorded from integrated brand communication services was RMB1,509,411 thousand, an increase of 25.1% from RMB1,206,902 thousand 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 RMB34,037 thousand, a decrease of 31.7% over RMB49,820 thousand last year. The increase in the turnover of this business was mainly attributable to the Group's new breakthroughs and progress in client resources and the industry dimensions of clients. Year-on-year decrease in revenue was mainly due to the decrease in the Group's commission income received from the media procurement as compared with last year.

3. Revenue recorded from internet media and content operations was RMB54,961 thousand in total, up 12.0% from RMB49,088 thousand 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 last year due to the influence of the reduction in the budget of clients; (2) revenue from programme production and operation was mainly the revenue incurred by the Group's production of the original video programme "Scent of a Man"; (3) revenue from the operation of internet media was mainly the revenue from the internet operation of the three internet media platforms under the Group, namely lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網). Since the fourth quarter of last year, revenues of lotour.com (樂途旅遊網) and boosj.com (播視網) were duly consolidated into the Group's revenue from core businesses.

4. Rental income was RMB58,837 thousand, as compared with RMB34,509 thousand last year, which mainly represented the revenue from the lease of the office premises of the Group.

Both the revenue from core businesses and gross profit margin of the Group decreased as compared with last year. However, the Group's control on the operating expenses had achieved a satisfactory result while investment gain on the disposal of equity investments also partially attributable to the Group's profit. The profit attributable to equity shareholders of the Group for the year ended 31 December 2014 amounted to RMB306,571 thousand, representing a year-on-year decrease of 16.9% from RMB369,108 thousand last year.

Operating Expenses

For the year ended 31 December 2014, the Group's operating expenses were RMB168,110 thousand in aggregate, representing a year-on-year decrease of RMB17,374 thousand, and accounted for 10.3% of the Group's revenue (year ended 31 December 2013: 10.5%). In view of the uncertain domestic economic environment, the Group continued to strictly control the budget for operating expenses, bringing a slight decrease in the ratio of operating expenses to revenue over last year, maintaining at a relatively low level.

Operating expenses include the followings:

1. Selling and marketing expenses amounted to RMB54,654 thousand, showing a decrease of approximately RMB11,145 thousand from RMB65,799 thousand last year, and accounted for 3.4% of the Group's revenue (year ended 31 December 2013: 3.7%). The decrease in selling and marketing expenses was mainly due to the Group's strict control on expenses through further strengthening on budget management of expenses. Accordingly, expenses such as promotional and marketing expenses, conference expenses and entertainment expenses decreased by a total of approximately RMB13,234 thousand from last year.

2. General and administrative expenses amounted to RMB113,456 thousand, representing a decrease of RMB6,229 thousand from RMB119,685 thousand last year, and accounted for 6.9% of the Group's revenue (year ended 31 December 2013: 6.8%). The decrease in general and administrative expenses was mainly due to the fact that: (1) since the second half of 2013, the Group has orderly moved into the newly acquired office premises which saved external lease expenses, thus the lease expenses reduced by approximately RMB2,483 thousand over last year; (2) under the strict budget control, expenses such as the office expenses, printing expenses and entertainment expenses reduced by approximately RMB5,411 thousand over last year.

Significant Investments and Acquisitions

Major investments and acquisitions which took place during the year are as follows:

1. 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.

2. In August 2014, the Group entered into an equity transfer agreement with the minority shareholders of Beijing Golden Bridge Senmeng Media Advertising Company Limited ("**Golden Bridge Senmeng**") to acquire 10% equity interest in Golden Bridge Senmeng with a consideration of approximately RMB10,784 thousand. The transfer of equity was fully completed in September 2014 and Golden Bridge Senmeng had become a wholly owned subsidiary of the Group.

3. In September 2014, the Group signed a share redemption agreement with FoneNet Inc., requiring FoneNet Inc. to redeem the Group's entire equity in FoneNet Inc. at the agreed price USD10.5 million. The transaction was completed in December 2014.

Liquidity and Financial Resources

The Group maintained a healthy financial position and ample liquidity. As at 31 December 2014, the Group's cash and bank balances amounted to RMB801,773 thousand (31 December 2013: RMB1,070,106 thousand), of which approximately 87% was denominated in Renminbi and the remaining 13% in HK dollars and other currencies.

Despite a decrease in the Group's cash and bank balances as compared to the end of last year, the Group maintained cash and bank balances at a healthy level that can adequately meet our day-to-day working capital requirements and all financial obligations. During the year, details of the cash flows status were as follows:

1. Net cash outflow from operating activities was RMB118,690 thousand (year ended 31 December 2013: RMB262,428 thousand). The net outflow was mainly attributable to: (1) the full settlement to media suppliers of outstanding media agency costs for prior years during the year, which led to a significant decrease in trade payables from RMB294,084 thousand at the end of last year to RMB16,956 thousand by the end of this 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 RMB61,064 thousand over the end of last year;

2. Net cash outflow from investing activities was RMB144,409 thousand (net cash inflow of RMB10,607 thousand for the year ended 31 December 2013). 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 RMB182,875 thousand; (2) cash inflow of RMB116,749 thousand regarding the disposal of equity investments; (3) cash outflow of RMB87,306 thousand regarding the payment of the balance of the related expenses for the acquisition of office premises;

3. Net cash outflow from financing activities was RMB8,596 thousand (year ended 31 December 2012: RMB120,866 thousand), which was mainly a short-term borrowing of RMB145,152 thousand obtained through credit facilities secured by deposits in the Mainland for the payment of final and special dividends for 2013 of approximately RMB147,908 thousand in total.

As at 31 December 2014, the Group's total assets amounted to RMB2,392,432 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,669,408 thousand and non-controlling interests of RMB9,912 thousand.

As at 31 December 2014, the Group's outstanding bank loans amounted to RMB145,152 thousand, which was arisen from the Company's short-term borrowing obtained through credit facilities secured by deposits in the Mainland.

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

Human Resources

As at 31 December 2014, the Group had a total of about 550 employees, a decrease from the beginning of the year. To optimise the organisation and personnel structure, the Group established leadership training and development programmes in which SinoMedia Training Camp for General Managers that showed good results on improving the management ability of managers of director level or higher as well as Management Trainee Program were launched during the year, so as to meet the demand of talents under the diversified business development of the Group. In addition, the Group 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 opportunity for development and munificent rewards in the Group. We provided employees with splendid and flexible benefit schemes such as insurance, housing provident fund, medical check-ups, overseas travel, 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 ultimately 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 28,786,500 units.

INDUSTRY AND GROUP OUTLOOK

The coming year will be a critical year for the Group to make use of its advantages to attain sustainable development. With the objective of smoothly transiting from adjustment period and delivering the exploration, the Group strives to boost its traditional business and revitalises the new business to cater for the market.

With the GDP of China shifting from rapid growth to moderate growth, China's domestic economy has formally entered into a "new normal" stage. Accompanied with conflicts and problems, uncertainties still persist globally. In January 2015, Composite Purchasing Managers Index (PMI) of HSBC China was declined to 51%, hitting a record low in eight months while the official Manufacturing PMI in January also fell below 50% first time in two years. Both data showed that economic activities were suppressed. However, the Group believes that despite the significant problems and potential risks in current economy, China's domestic economy still possess the condition for stable growth while driving force and vitality of social and economic development are anticipated to bring in mid-to-long-term prosperity.

"Unity" is now the prime concern in the media industry with "Integration" and "Consolidation" as the keynotes. Enhancing the integration development of traditional media and emerging media not only is the significant strategic plan in national level, but also the realistic choice for the industry in order to follow the industry's momentum, deal with challenges and expand its own strength. Combining with its own advantages, the Group will focus on the search for characteristics that are competent with its development. At the same time, the Group will approach the market with open mind and actively conduct a wider scope of industrial consolidation.

Specifically, in the area of TV advertising and branding services, the Group will simultaneously start with marketing strategies and client retention with emphasis on cultivating the selling, cooperation, cognition and application abilities of the team in the said area. The Group will reinforce the research on the means of integrating traditional media with new media, broaden the development agenda with openness, intensively explore the new demands of its existing clients on communications, and underscore the tracking of the communication trend of clients in daily consumer goods and emerging industries. In Internet media and content operations cluster, lotour.com will aim at increasing the number of users in order to widen the scope of project cooperation on the base of intensifying the sophistication and content construction of its existing products, with the goal of setting up the best platform for brand content marketing of China's tourist destination. On the other hand, boosj.com will target at the comprehensive development of vertical channels and the matching content products and marketing proposals to form content features that help building a core user base. With the support of the three main products, namely "One Village, One Product ", "Wugu Talents" and "Wugu's Good Projects", wugu.com.cn made every effort to open up supply and demand channels, and realised the communication value by means of providing information communication platform services. For content operations, the Group's focus point in the coming year will be the research and development as well as the integration of lifestyle and humanities programmes that contain communication value of long-term content, and of contents that contain national and international communication values while at the same time looking for cooperation platform and the meeting point for demand and supply of client resources to bring in creativity and innovation to the programmes.

The Group has always been persistent on the path of becoming the leader in China and an influential media corporation in the Asia Pacific region.

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

During the year ended 31 December 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 year ended 31 December 2014, the Company has fully complied with all code provisions ("**Code Provisions**") of the Corporate Governance Code and Corporate Government Report as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except for the following deviations:

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. Ding Junjie, 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.

Under Code Provision F.1.2, the Board should approve the selection, appointment or dismissal of the company secretary by a physical Board meeting rather than a written resolution. The Board has approved the appointment of Mr. Wang Yingda ("**Mr. Wang**") as company secretary of the Company pursuant to a written resolution dated 31 December 2014 and signed by all Directors. Given Mr. Wang is an employee of the Company and had been the Group's deputy general manager in Finance from July 2012 to January 2014, the Directors are familiar with Mr. Wang and are confident of his credentials. To ensure all Directors had given sufficient consideration in approving the appointment of Mr. Wang as company secretary of the Company, the biography of Mr. Wang had been circulated for Directors' consideration before the approval.

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 had complied with the required standard set out in the Model Code during the year ended 31 December 2014.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has, together with the management of the Company, reviewed the Group's audited consolidated financial statements and the annual report for the year ended 31 December 2014, including the accounting principles and practices adopted by the Group.

FINAL AND SPECIAL DIVIDENDS

The Company is always committed to providing attractive returns for its shareholders and maintaining a stable dividend policy. In view of the Group's continuing strong liquidity, the Board recommended a final dividend of HKD13.50 cents (2013: HKD16.48 cents) per share and a special dividend of HKD13.50 cents (2013: HKD16.48 cents) per share, with an aggregate value of approximately RMB122 million, to shareholders. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on Wednesday, 10 June 2015 ("**AGM**"), the final and special dividends will be paid in Hong Kong dollars on or about Thursday, 2 July 2015 to those members registered in the Company's register of members as at Friday, 19 June 2015.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Wednesday, 10 June 2015. Notice of the AGM together with the Company's annual report for the year ended 31 December 2014 will be dispatched to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 June 2015 to Wednesday, 10 June 2015 (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the AGM. No transfer of shares may be registered during the said period. In order to qualify to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, by no later than 4:30 p.m. on Friday, 5 June 2015.

The register of members of the Company will also be closed from Wednesday, 17 June 2015 to Friday, 19 June 2015 (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to the proposed final dividend and special dividend upon the passing of the relevant resolution. No transfer of shares may be registered during the said period. In order to qualify for the proposed final dividend and special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Boardroom Share Registrars (HK) Limited, at 31/F, 148 Electric Road, North Point, Hong Kong, by no later than 4:30 p.m. on Tuesday, 16 June 2015.

On behalf of the Board
SinoMedia Holding Limited
CHEN Xin
Chairman

Hong Kong, 19 March 2015

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. Qi Daqing, Mr. Lian Yuming and Ms. Wang Xin as independent non-executive directors.