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 2015

FINANCIAL SUMMARY

RMB'000	**For the six months ended 30 June 2015**	For the six months ended 30 June 2014	**Change (%)**
Revenue	**619,010**	836,428	-26%
Profit from operations	**49,172**	249,012	-80%
Profit attributable to equity shareholders of the Company	**35,433**	179,214	-80%
Earnings per share *(RMB)*			
— Basic	**0.062**	0.319	-81%
— Diluted	**0.061**	0.308	-80%

Revenue:

RMB'000	**For the six months ended 30 June 2015**	For the six months ended 30 June 2014	**Change (%)**
Media resources management	**598,437**	787,454	-24%
Integrated brand communication services	**(1,610)**	10,739	N/A
Internet media and content operations	**8,287**	22,146	-63%
Rental income	**22,930**	28,862	-21%
Sales taxes and surcharges	**(9,034)**	(12,773)	-29%
Revenue	**619,010**	836,428	

Turnover:

RMB'000	**For the six months ended 30 June 2015**	For the six months ended 30 June 2014	**Change (%)**
Media resources management	**598,437**	787,454	-24%
Integrated brand communication services	**590,416**	1,031,986	-43%
Internet media and content operations	**8,287**	22,146	-63%
Rental income	**22,930**	28,862	-21%
Sales taxes and surcharges	**(9,034)**	(12,773)	-29%
Turnover	**1,211,036**	1,857,675	

The Board of directors (the "**Board**") of SinoMedia Holding Limited ("**SinoMedia**" or the "**Company**") announces the unaudited results and financial position of the Company and its subsidiaries (collectively the "**Group**") for the six months ended 30 June 2015, with comparative figures for previous period.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

	Note	Unaudited	Unaudited
		Six months ended 30 June	
		2015	2014
		RMB'000	*RMB'000*
Revenue		**619,010**	836,428
Cost of services		**(498,687)**	(577,239)
Gross profit		**120,323**	259,189
Other revenue	*4*	**141**	72,544
Selling and marketing expenses		**(20,364)**	(27,901)
General and administrative expenses		**(50,928)**	(54,820)
Profit from operations		**49,172**	249,012
Finance income	*5(a)*	**17,166**	9,568
Finance costs	*5(a)*	**(8,884)**	(2,793)
Net finance income		**8,282**	6,775
Share of (loss) / profit of associates		**(80)**	2,604
Profit before taxation	*5*	**57,374**	258,391
Income tax	*6*	**(25,517)**	(79,956)
Profit for the period		**31,857**	178,435
Attributable to:			
Equity shareholders of the Company		**35,433**	179,214
Non-controlling interests		**(3,576)**	(779)
Profit for the period		**31,857**	178,435
Earnings per share	*7*		
Basic earnings per share *(RMB)*		**0.062**	0.319
Diluted earnings per share *(RMB)*		**0.061**	0.308

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	**Unaudited At 30 June 2015 *RMB'000***	Audited At 31 December 2014 *RMB'000*
Non-current assets			
Property, plant and equipment	*8*	**266,637**	272,555
Investment property	*8*	**622,551**	629,949
Intangible assets		**39,278**	39,955
Goodwill		**13,455**	18,015
Interest in associate		**6,770**	6,850
Trade and other receivables	*9*	**2,250**	2,550
Deferred tax assets		**2,256**	6,186
		953,197	976,060
Current assets			
Other current financial asset		**—**	4,157
Trade and other receivables	*9*	**525,281**	427,567
Restricted deposits		**4,478**	152,183
Time deposits with original maturity over three months		**31,100**	30,692
Cash and cash equivalents		**728,555**	801,773
		1,289,414	1,416,372
Current liabilities			
Trade and other payables	*10*	**629,422**	517,855
Bank loans		**—**	145,152
Current taxation		**21,384**	49,571
Other current financial liability		**—**	534
		650,806	713,112
Net current assets		**638,608**	703,260
Total assets less current liabilities		**1,591,805**	1,679,320
Non-current liability			
Deferred tax liability		**1,915**	—
NET ASSETS		**1,589,890**	1,679,320

	Unaudited At 30 June 2015 *RMB'000*	Audited At 31 December 2014 *RMB'000*
CAPITAL AND RESERVES		
Share capital	**510,981**	500,734
Reserves	**1,066,770**	1,168,674
Total equity attributable to equity shareholders of the Company	**1,577,751**	1,669,408
Non-controlling interests	**12,139**	9,912
TOTAL EQUITY	**1,589,890**	1,679,320

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2015

	Unaudited	Unaudited
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Operating activities		
Cash used in operations	**(24,202)**	(272,878)
Tax paid	**(47,859)**	(100,078)
Net cash used in operating activities	**(72,061)**	(372,956)
Investing activities		
Payment for purchase of property, plant and equipment	**(10,589)**	(81,742)
Proceeds from / (Payment of) restricted cash	**147,705**	(146,225)
Other cash flows arising from investing activities	**10,455**	(26,568)
Net cash generated from / (used in) investing activities	**147,571**	(254,535)
Financing activities		
(Repayment of) / Proceeds from bank loans	**(145,152)**	146,050
Other cash flows arising from financing activities	**2,881**	6,193
Net cash (used in) / generated from financing activities	**(142,271)**	152,243
Net decrease in cash and cash equivalents	**(66,761)**	(475,248)
Cash and cash equivalents at 1 January	**801,773**	1,070,106
Effect of foreign exchange rates changes	**(6,457)**	1,386
Cash and cash equivalents at 30 June	**728,555**	596,244

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 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies as required by accounting standards are set out in note 2. In addition, the 2015 annual financial statements will be the first issued financial statements in which the Group makes an explicit and unreserved statement of compliance with Hong Kong Financial Reporting Standards ("**HKFRS**") in order to comply with section 380 of the Hong Kong Companies Ordinance (Cap. 622). With due regard to the Group's accounting policies in previous periods and the requirements of HKFRS 1, management has concluded that no adjustments were required to the amounts reported under IFRSs as at the date of transition to HKFRSs or in respect of the six months ended 30 June 2015. Accordingly, the interim financial statements continue to include a statement of compliance with International Accounting Standard 34 as well as including for the first time a statement of compliance with Hong Kong Accounting Standard 34, without adjustment to the Group's financial position, the Group's financial performance or cash flows either at the date of transition to HKFRSs or at the end of the latest period presented in accordance with IFRSs.

The financial information relating to the financial year ended 31 December 2014 that is included in the interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance (or under their equivalent requirements found in section 141 of the predecessor Companies Ordinance (Cap.32)).

2 Changes in accounting policies

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. The equivalent amendments to HKFRSs consequently issued by the Hong Kong Institute of Certified Public Accountants as a result of these developments have the same effective date as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB. Of these, the following developments are relevant to the Group's financial statements:

- Annual Improvements to IFRSs/HKFRSs 2010–2012 Cycle
- Annual Improvements to IFRSs/HKFRSs 2011–2013 Cycle

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.

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	
	2015	2014
	RMB'000	*RMB'000*
Government grant	**125**	40,000
Gain on disposal of other non-current financial asset	**—**	32,500
Others	**16**	44
	141	72,544

5 Profit before taxation

(a) Finance income and costs

		Unaudited	Unaudited
		Six months ended 30 June	
		2015	2014
	Note	***RMB'000***	*RMB'000*
Interest income on bank deposits		**12,495**	8,861
Net foreign exchange gain		**4,137**	306
Changes in fair value of derivative financial instruments	*(i)*	**534**	401
Finance income		**17,166**	9,568
Changes in fair value of derivative financial instruments	*(i)*	**(4,157)**	(832)
Others		**(4,727)**	(1,961)
Finance costs		**(8,884)**	(2,793)
Net finance income		**8,282**	6,775

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

(b) Other items

	Unaudited	Unaudited
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Amortisation	**2,308**	1,911
Depreciation	**13,626**	14,820
Impairment losses on bad and doubtful accounts	**(1,028)**	(81)

6 Income tax

	Unaudited	Unaudited
	Six months ended 30 June	
	2015	2014
	RMB'000	*RMB'000*
Current tax — PRC income tax	**19,672**	67,680
Deferred taxation	**5,845**	12,276
Total income tax expense	**25,517**	79,956

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 2015 and 2014.

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 2015 and 2014.

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 2015 (six months ended 30 June 2014: 15%).

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 RMB35,433 thousand (six months ended 30 June 2014: RMB179,214 thousand) and the weighted average number of ordinary shares of 568,918,987 (2014: 562,428,531 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 RMB35,433 thousand (six months ended 30 June 2014: RMB179,214 thousand) and the weighted average number of ordinary shares of 578,814,259 (2014: 581,550,955 shares).

8 Property, plant and equipment and investment property

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment with a cost of RMB506 thousand (six months ended 30 June 2014: RMB1,198 thousand) and not acquired any items of investment property (six months ended 30 June 2014: RMB125 thousand). Items of property, plant and equipment with a net book value of RMB196 thousand were disposed of during the six months ended 30 June 2015, resulting in a loss on disposal of RMB196 thousand (six months ended 30 June 2014: nil).

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 2015 *RMB'000*	Audited At 31 December 2014 *RMB'000*
Non-current assets		
Trade and other receivables	**2,250**	2,550
Current assets		
Within 3 months	**51,749**	52,111
3 to 6 months	**31,103**	29,675
6 to 12 months	**37,875**	1,134
Over 12 months	**78,030**	80,387
Total trade and bills receivable	**198,757**	163,307
Less: allowance for doubtful debts	**(70,052)**	(71,080)
Trade and bills receivable, net of allowance for doubtful debts	**128,705**	92,227
Prepayments and deposits to media suppliers	**366,025**	291,904
Advances to employees	**4,067**	2,372
Other debtors and prepayments	**36,730**	51,310
Less: allowance for doubtful debts of other debtors	**(10,246)**	(10,246)
	525,281	427,567
	527,531	430,117

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 2015 *RMB'000*	Audited At 31 December 2014 *RMB'000*
Due within 3 months	**6**	326
Due after 3 months but within 6 months	**—**	330
Due after 6 months but within 12 months	**6,329**	16,300
Total trade payables	**6,335**	16,956
Advances from customers	**438,061**	407,929
Payroll and welfare expenses payables	**12,601**	19,197
Other tax payables	**6,778**	16,587
Other payables and accrued charges	**42,793**	56,180
Dividends payable due to equity shareholders of the Company	**121,848**	—
Dividends payable due to non-controlling interests of a subsidiary	**1,006**	1,006
	629,422	517,855

11 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	
	2015	2014
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the following interim period, of approximately RMB10.64 cents per share (six months ended 30 June 2014: approximately RMB13.01 cents per share)	**60,924**	73,954
Special dividend in respect of the previous financial year, approved during the following interim period, of approximately RMB10.64 cents per share (six months ended 30 June 2014: approximately RMB13.01 cents per share)	**60,924**	73,954
	121,848	147,908

Dividends attributable to the previous financial year were fully paid in July 2015 (2014: July).

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE GROUP

During the period under review, as a result of the cutback of advertising spending by brands resulting from a slowdown in the macroeconomic growth in China, the Group recorded a decline in income and net profit. In spite of grim challenges, the Group strived to secure the solid market share of its core business and continued to advance the healthy development of its new media business.

In the first half of 2015, the domestic and foreign economies remained complicated, and the global economic recovery was twistingly slow. The GDP in China grew by 7% year-on-year. Notwithstanding that, the economic development reform was still in progress and the industry structure was under continuous optimal adjustment. Besides, there was room for further improvement in the domestic demand structure and the foundation for economic recovery needed further consolidation. In respect of advertising industry in which the Group operates, the industry has entered into a new adjustment period along with the "new normal" stage of the economy. Policies favorable to the media and culture industry were introduced in succession. The integration of "Internet +" established an extensive trend of internet-based development for the culture industry. Meanwhile, the advertising market was relatively "calm". Internet advertising slowed down its growth after several years of rapid development, while TV advertising was in an overall downturn. Owing to the slowdown in economic growth, the impact brought by the new media as well as the shrinkage of the TV media viewership, the total spending on TV advertising experienced its first decline. The proportion of the increase in TV advertising budget by advertisers hit bottom since 2009.

BUSINESS OVERVIEW

TV Advertising and Branding Services

1. TV Media Resources Management

During the period under review, the Group had approximately 5,529 minutes of advertising resources on a total of 15 programmes on channels including CCTV-1 (General)/CCTV-News (Chinese), CCTV-4 (Chinese International, including Europe and the US) and CCTV-7 (Military and Agriculture), with exclusive underwriting rights mainly covering news, politics, agriculture, culture 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), programs including "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) and "China Showbiz" (中國文藝) on CCTV-4 (Chinese International, including Europe and the US), and 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). In terms of clientele, the Group maintained its stable client base in the areas of domestic and foreign tourism as well as transportation, and strived to develop new clients and sales channels.

2. *Integrated Brand Communication Services*

During the period under review, the Group proactively modified its development strategy for the business, so as to enhance the service standards with close monitor on trade receivables, reflecting the Group's global view on its financial management capability. The Group continued to serve clients such as Ping An Insurance (Group) Company of China, Ltd., Shanghai Pudong Development Bank Co., Ltd., Midea Group, Huiyuan Group, Jiangsu King's Luck Brewery Joint-Stock Co., Ltd. and McDonald's, and were also engaged by Inner Mongolia Yili Industrial Group Co., Ltd. and Beijing Xiaoju Keji Co., Ltd. (滴滴打車) for its TV advertising placement agency business. The service capability and strength of the "SinoMedia" brand continued its healthy development.

Internet Media and Content Operations

I. *Internet Media*

1. *www.boosj.com (播視網)*

As the only video website focusing on healthy lifestyle in China, boosj.com proactively advocated healthy lifestyle for all citizens with the motto "Live a Life, Move it up". During the period under review, boosj.com precisely targeted at the prevailing market of urban healthy entertainment culture with its acute market sense. Focusing on the "Square Dance Vertical Channel", boosj.com built a featured video content platform featuring "Children Dance Channel", "Yoga Channel" and "PC Games Channel", and recorded a Daily Page View (DPV) of nearly 2 million (Source: internal data) with clear user segments. Among which, contents from the online channel "Square Dance" integrated with offline local activities and formed a follower chain, thus amplifying the overall influence of the platform. Also, numerous innovative operation strategies were introduced for users and partners upstream and downstream along the industry chain. The Group has a clear blueprint in the development of a healthy lifestyle internet media platform under the brand name of "boosj.com".

2. *www.lotour.com (樂途旅遊網)*

During the period under review, lotour.com well positioned its business feature as "a website of travel inspiration" and unveiled the competitive differentiation of non-online travel agent (OTA) travel websites. In line with such positioning, webpage redesign and content reorganisation brought outstanding performance in terms of users. As the monthly cumulative UV remained in a steady growth, the monthly cumulative PV almost reached 100 million, representing a nearly 70% growth as compared with the beginning of the year (Source: internal data, June 2015). Besides, Lotour Self-drive Channel, a professional travel channel launched in January 2015, served as an online community for self-drive buffs and provided detailed self-drive guides and routes for drivers. It collaborated with Cadillac and other brand names and organized offline self-drive events, so as to enhance user experience and raise the brand value of lotour.com.

3. www.wugu.com.cn (吾谷網)

As agricultural products have entered the "Internet +" era, wugu.com.cn maintained its leading position in the area of agricultural product service platform. Since its launch in 2012, wugu.com.cn has been exploring the field of agricultural information services. Adhering to its philosophy of "unearth the value of agriculture and create opportunities for agriculture", wugu.com.cn progressively became a strong pioneer of information service platform in the industry. During the period under review, wugu.com.cn and Beijing Municipal Commission of Rural Affairs reached an intention of strategic cooperation on "One Village, One Product (一村一品)" multi-screen mutually beneficial integrated communications. It practically explored marketing for local agricultural products from the origin. It was recognized as the "Advanced Unit of Social Power Participating in Building a New Socialist Countryside" (社會力量參與社會主義新農村建設之先進集體) in Beijing. Meanwhile, specialised offline activities of wugu.com.cn played a solid role in the industry and built synergy with the Group's TV media advertising sales team of agriculture programmes.

II. Content Operations

During the period under review, despite the impact of the cutback of advertising spending, the Group's advertising and creative content production team leveraged on its creativity and actively participated in the bidding of visual projects of tourist destinations and various enterprises. The team provided creative and film production of promotional videos for Yiwu Municipal Publicity Department, Administrative Committee of Jiuhuashan, China United Property Insurance Company Limited and Beijing Zhong Fu Le Cai Technology Co., Ltd. (北京中福樂彩科技有限公司).

Moreover, the Group's Public Service Brand Operation Center continued its support for the "SinoMedia's Charity" project with an aim to deliver public service philosophy and promote public service in daily life. Also, original public service works served as a rock-steady bridge to demonstrate positive energy for public welfare. During the period under review, public service advertisements "Come Home — Stay Together" and "Say No to Secondhand Smoke — a Portrait of Dad" under the "SinoMedia's Charity" project were granted the First Prize and Second Prize of Beijing PSA Selected Works respectively.

FINANCIAL REVIEW

Revenue and Profit Attributable to the Equity Shareholders of the Company

For the six months ended 30 June 2015, the Group recorded revenue of RMB619,010 thousand, representing a decrease of 26% from RMB836,428 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 RMB598,437 thousand, a decrease of 24% from RMB787,454 thousand for the same period last year. Such decrease in revenue was mainly attributable to the budget cutback by advertisers and the dispersed spending on advertising placement due to the impact of the slowdown in domestic macroeconomic growth. Consequently, the Group's sales of advertising resources in terms of minutes sold and average sales rate decreased as compared with the same period last year. During the second half of the year, the Group will promote its sales by means of targeted media promotions and optimized media portfolio, thus enhancing the revenue of this business segment.

II. Turnover recorded from integrated brand communication services was RMB590,416 thousand, a decrease of 43% from RMB1,031,986 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, no revenue was generated from this business for the first half of the year. The commission income receivable from the media suppliers will be recognised in the second half of the year. As a result of the cutback of advertising budget by clients, the turnover of this business decreased from the same period last year. In order to increase the revenue of this business segment, the Group will further optimize its clientele structure, broaden its industry coverage, enhance its professional services and capture more quality clients.

III. Revenue recorded from Internet media and content operations was RMB8,287 thousand in total, down 63% from RMB22,146 thousand for the same period last year. Revenue from creative production of commercial advertisements recorded a decrease as compared with the same period last year due to the influence of the reduction in the contract amount and number of contracts with clients. Yet, the Group actively acquired new clientele resources through bidding while maintaining its existing clientele. In the mean time, the Group will continue to intensify its efforts and promotion on its internet projects, explore mutual interests of its internet users, thus increasing the contribution of the revenue from the internet platform operation to the overall revenue of the Group.

IV. Rental income was RMB22,930 thousand, down 21% from RMB28,862 thousand for the same period last year. As a part of the office premises was temporarily vacant owing to the change of tenants, revenue from this business slightly decreased from the same period last year.

During the period under review, both the revenue from core businesses and gross profit margin decreased from the same period last year, but the costs and expenses were properly controlled. The profit attributable to equity shareholders of the Company for the six months ended 30 June 2015 amounted to RMB35,433 thousand, representing a year-on-year decrease of 80% from RMB179,214 thousand for the same period last year.

Operating Expenses

For the six months ended 30 June 2015, the Group's operating expenses were RMB71,292 thousand in aggregate, representing a year-on-year decrease of 14% from RMB82,721 thousand for the same period last year, and accounted for 11.5% of the Group's revenue (the same period last year: 9.9%). The Group maintained stable budget management for operating expenses, while total operating expenses and the ratio of expenses remained at a reasonable level.

Operating expenses include the followings:

I. Selling and marketing expenses amounted to RMB20,364 thousand, showing a decrease of approximately RMB7,537 thousand from RMB27,901 thousand for the same period last year, and accounted for 3.3% of the Group's revenue (the same period last year: 3.3%). The decrease in selling and marketing expenses was mainly due to: (1) the decrease of approximately RMB4,858 thousand in the performance-based pay for marketing personnel incurred by the decline in revenue; and (2) the Group's strict budget control on expenses such as promotional and marketing expenses, conference expenses, entertainment expenses and travelling expenses, which decreased by approximately RMB3,341 thousand from the same period last year.

II. General and administrative expenses amounted to RMB50,928 thousand, representing a decrease of approximately RMB3,892 thousand from RMB54,820 thousand for the same period last year, and accounted for 8.2% of the Group's revenue (same period last year: 6.6%). The decrease in general and administrative expenses was mainly due to the fact that: (1) as the Group's results in 2014 fell below the original expectation, labor costs like year-end bonuses for non-marketing staff were reduced correspondingly, representing a decrease of approximately RMB4,045 thousand over the same period last year; (2) expenses such as the office expenses, travelling expenses and entertainment expenses reduced by approximately RMB2,119 thousand over the same period last year; (3) based on the principle of prudence, the Group conducted a revaluation on the goodwill of its internet media platforms generated through mergers and acquisitions. After proper assessment procedures, impairment amounted to RMB4,560 thousand was provided for goodwill.

Significant Investments, Acquisitions and Disposals

During the period under review, there were no significant investments, acquisitions or disposals by the Group.

Liquidity and Financial Resources

The Group continued to maintain a more adequate liquidity with overall healthy financial position. As at 30 June 2015, the Group's cash and bank balances amounted to RMB728,555 thousand (31 December 2014: RMB801,773 thousand), of which approximately 74% was denominated in Renminbi and the remaining 26% in HK dollars and other currencies. Bank time deposits maturing over three months held by the Group in Renminbi amounted to RMB31,100 thousand (31 December 2014: RMB30,692 thousand). As the Group's cash and bank balances was essentially flat as compared to the end of last year, the cash and bank balances were adequate for day-to-day business operations and were able to meet the requirements for funding future development. During the period, details of the cash flows status were as follows:

I. Net cash outflow from operating activities was RMB72,061 thousand (RMB372,956 thousand for the same period last year). The net outflow was mainly attributable to: (1) hindered by the extension of the settlement cycle of advertising clients, trade debtors increased approximately RMB38,941 thousand over the end of last year; (2) as the media agency costs which should have been prepaid at the end of last year were deferred to 2015, the Group's prepayments to media suppliers of media agency costs increased by approximately RMB83,311 thousand over the end of last year. The Group will enhanced its collection efforts of long aging debtors and actively follow up on the overdue debts. Meanwhile, we strictly control the approval and management over delayed client payment for advertisements to maintain a healthy working capital;

II. Net cash inflow from investing activities was RMB147,571 thousand (net cash outflow of RMB254,535 thousand for the same period last year), which was mainly attributable to the deposits pledged to the bank, which were included in the credit facilities secured by deposits in the Mainland China, amounting to approximately RMB147,705 thousand were matured;

III. Net cash outflow from financing activities was RMB142,271 thousand (net cash inflow of RMB152,243 thousand for the same period last year), which was mainly the repayment of a short-term borrowing of RMB145,152 thousand obtained through credit facilities secured by deposits in the Mainland China.

As at 30 June 2015, the Group's total assets amounted to RMB2,242,611 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,577,751 thousand and non-controlling interests of RMB12,139 thousand. As at 30 June 2015, the Group did not have any bank loans.

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

Human Resources

As at 30 June 2015, the Group had a total of about 500 employees, a decrease from the beginning of the year. To encourage new and current staff to be innovative and pragmatic, the Group established several talent development and incentive plans. "Star Program" for sales and marketing was launched in the first half of the year and achieved outstanding results in developing and training talented salesmen, while Management Trainee Program was continued to develop to meet the demand of talents under the diversified business development of the Group. In addition, to focus on the main concern of the staff — career development and training, the Group enhanced its overall investment in professional training. As compared to the same period last year, the variety of training courses and the total training time were increased significantly, and the satisfaction of staff also continued to rise. At the same time, emphasis on the organisation and improvement of the career development path to establish a more comprehensive career development and planning for the Group's employees. For talent introduction and incentives, the Group continued to provide employees with an incentive and remuneration policy that was competitive. Through accurate positioning and market research, the Group's remuneration system were able to show strong market competitiveness in all segments, allowing more professionals 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; provided senior employees with Project Manager Training Program for integrated development as well as provided senior management team with EMBA learning and development plan. Accordingly, we satisfied diverse needs of employees in each stage of their career path 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 22,653,500 units.

INDUSTRY AND GROUP OUTLOOK

According to ZenithOptimedia's latest *Advertising Expenditure Forecasts 2015*, the estimated advertising expenditure in 2015 and 2016 were reduced by 0.5% and 0.3% respectively, due primarily to the deepening economic recession in Russia and other Eastern European countries as well as the slowdown in economic growth in China.

China's economy started to enter a stable period after years of rapid growth. The advertising market in China slowed down accordingly, yet its growth rate is still maintained at a healthy level. According to CTR's market research report, in early 2015, advertisers' confidence on economic development and consumption was enhanced as compared with the same period last year. Regarding the allocation of marketing budget structure, the proportion of digital marketing and terminal promotion substantially increased and inter-media marketing was widely adopted by clients. In face of the limited budget for marketing expenses of clients, the total advertising spend in TV media as of April 2015 still represented the majority share of the whole advertising market at 87.51% (Source: Nielsen, May 2015) despite more challenges and pressures on traditional media, with TV as the dominant player, as compared to other new marketing approaches.

Accordingly, adhering to its established strategies, the Group strives to establish a "TV + Internet" inter-screen communication platform. The Group commits to provide clients with leading and excellent marketing proposals as well as swiftly dominant the market with our current projects in the areas of agriculture, tourism and healthy lifestyle. Specifically, staring in the second half of the year, the Group will proceed to integrate high-quality media resources and focus on the introduction of technology in order to achieve digital marketing as a whole. For agriculture, wugu.com.cn will be working on projects with the TV media advertising sales team specialising in agriculture to form core competitiveness. For tourism, pursuit further while the influence of lotour.com in the industry was greatly enhanced and further expands the market share. In terms of the concept of healthy lifestyle, boosj.com will focus on video communication with healthy lifestyle content and intend to develop the economic chain of healthy industry while building up popularity of the "boosj.com" brand.

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

During the six months ended 30 June 2015, 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 2015, 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, the independent non-executive director of the Company, he was not able to be present at the annual general meeting of the Company held on 10 June 2015.

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 2015.

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 2015, including the accounting principles and practices adopted by the Group.

On behalf of the Board
SinoMedia Holding Limited
CHEN Xin
Chairman

Hong Kong, 19 August 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.