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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 2019**

FINANCIAL SUMMARY

<i>RMB'000</i>	For the year ended 31 December 2019	For the year ended 31 December 2018	Change (%)
Revenue	1,496,813	1,615,704	-7%
Profit from operations	37,119	101,397	-63%
Profit attributable to equity shareholders of the Company	26,403	82,127	-68%
Earnings per share			
— Basic and Diluted	5.4 RMB cents	16.2 RMB cents	-67%
Proposed final dividend per share	2.41 HKD cents	7.71 HKD cents	-69%

REVENUE

<i>RMB'000</i>	For the year ended 31 December 2019	For the year ended 31 December 2018	Change (%)
TV media resources management	1,251,770	1,403,362	-11%
Integrated communication services and Content operations	94,364	81,778	+15%
Digital marketing and Internet media	98,409	86,738	+13%
Rental income	63,236	60,371	+5%
Sales taxes and surcharges	(10,966)	(16,545)	-34%
	<u>1,496,813</u>	<u>1,615,704</u>	

The Board of directors (the “**Board**”) of SinoMedia Holding Limited (“**SinoMedia**” or the “**Company**”) announces the audited results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2019, with comparative figures for the previous year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	<i>Note</i>	2019 <i>RMB’000</i>	2018 <i>RMB’000</i>
Revenue		1,496,813	1,615,704
Cost of services		(1,368,029)	(1,360,814)
Gross profit		128,784	254,890
Other revenue	4	57,479	3,059
Selling and marketing expenses		(58,027)	(59,446)
General and administrative expenses		(91,117)	(97,106)
Profit from operations		37,119	101,397
Finance income	5(a)	14,881	17,198
Finance costs	5(a)	(162)	(581)
Net finance income		14,719	16,617
Profit before taxation	5	51,838	118,014
Income tax	6	(24,476)	(37,085)
Profit for the year		27,362	80,929
Attributable to:			
Equity shareholders of the Company		26,403	82,127
Non-controlling interests		959	(1,198)
Profit for the year		27,362	80,929
Earnings per share			
Basic and diluted (RMB cents)	7	5.4	16.2

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit for the year	<u>27,362</u>	<u>80,929</u>
Other comprehensive (loss)/income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	<u>(10)</u>	<u>4,037</u>
Total comprehensive income for the year	<u><u>27,352</u></u>	<u><u>84,966</u></u>
Attributable to:		
Equity shareholders of the Company	26,393	86,164
Non-controlling interests	<u>959</u>	<u>(1,198)</u>
Total comprehensive income for the year	<u><u>27,352</u></u>	<u><u>84,966</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	9	224,944	229,738
Investment property	9	580,859	576,684
Intangible assets		16,399	22,399
Goodwill		6,002	6,002
Interest in associates		4,362	—
Other non-current financial assets	10	195,172	—
Trade and other receivables	11	1,587	865
		<u>1,029,325</u>	<u>835,688</u>
Current assets			
Other current financial assets		2,200	1,737
Trade and other receivables	11	328,203	428,745
Time deposits with original maturity over three months		30,436	8,514
Cash and cash equivalents		583,677	715,109
		<u>944,516</u>	<u>1,154,105</u>
Current liabilities			
Trade and other payables	12	169,132	121,656
Contract liabilities	13	193,105	241,275
Lease liabilities		1,201	—
Current taxation		29,300	37,508
		<u>392,738</u>	<u>400,439</u>
Net current assets		<u>551,778</u>	<u>753,666</u>
Total assets less current liabilities		<u>1,581,103</u>	<u>1,589,354</u>
Non-current liabilities			
Deferred tax liabilities		5,708	—
NET ASSETS		<u>1,575,395</u>	<u>1,589,354</u>
CAPITAL AND RESERVES			
Share capital		510,981	510,981
Reserves		1,070,462	1,085,380
Total equity attributable to equity shareholders of the Company		1,581,443	1,596,361
Non-controlling interests		(6,048)	(7,007)
TOTAL EQUITY		<u>1,575,395</u>	<u>1,589,354</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

The financial information relating to the years ended 31 December 2019 and 2018 included in this document does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (the "**Companies Ordinance**") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**") and the requirements of the Companies Ordinance. As Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and accounting principles generally accepted in Hong Kong, are derived from and consistent with IFRSs, these financial statements also comply with HKFRSs. 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 for derivative financial instruments and investments in equity securities which are stated at their fair value.

2 Changes in accounting policies

The IASB/HKICPA has issued a new IFRS/HKFRS, IFRS/HKFRS 16, *Leases*, and a number of amendments to IFRS/HKFRSs that are first effective for the current accounting period of the Group. Except for IFRS/HKFRS 16, *Leases*, none of the 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.

IFRS/HKFRS 16, *Leases*

IFRS/HKFRS 16 replaces IAS/HKAS 17, *Leases*, and the related interpretations, HK (IFRIC) 4, *Determining whether an arrangement contains a lease*, HK (SIC) 15, *Operating leases — incentives*, and HK (SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low value assets. The lessor accounting requirements are brought forward from IAS/HKAS 17 substantially unchanged.

The Group has initially applied IFRS/HKFRS 16 as from 1 January 2019. The Group has selected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of assets and liabilities at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS/HKAS 17.

The following table summarises the impacts of the adoption of IFRS/HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018 RMB'000	Capitalisation of operating lease contracts RMB'000	Carrying amount at 1 January 2019 RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS/HKFRS 16:			
Property, plant and equipment	229,738	1,162	230,900
Total non-current assets	835,688	1,162	836,850
Lease liabilities (current)	—	816	816
Current liabilities	400,439	816	401,255
Net current assets	753,666	(816)	752,850
Total assets less current liabilities	1,589,354	346	1,589,700
Lease liabilities (non-current)	—	346	346
Total non-current liabilities	—	346	346
Net assets	1,589,354	—	1,589,354

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

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
Government grant	(i)	19,984	1,718
Unrealised gains on financial assets	(ii)	35,101	—
Others		2,394	1,341
		57,479	3,059

(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.

(ii) The unrealised gains were from investment in China Feihe Limited.

5 Profit before taxation

(a) *Finance income and costs*

	2019 RMB'000	2018 <i>RMB'000</i>
Interest income on bank deposits	14,881	17,198
Finance income	14,881	17,198
Net foreign exchange loss	(109)	(529)
Others	(53)	(52)
Finance costs	(162)	(581)
Net finance income	14,719	16,617

(b) Staff cost

	2019 RMB'000	2018 RMB'000
Salaries, wages and other benefits	71,010	86,261
Contributions to defined contribution plan	5,999	7,486
Equity-settled share-based payment expenses	1,772	2,894
	<u>78,781</u>	<u>96,641</u>

(c) Other items

	2019 RMB'000	2018 RMB'000
Amortization	6,286	3,622
Depreciation	24,259	23,082
Impairment losses	9,431	11,060
Operating lease charges	2,990	4,787
Auditors' remuneration	2,650	2,950
Professional fee	3,755	2,512
Research and development costs	3,309	3,185

6 Income tax

	2019 RMB'000	2018 RMB'000
Current tax		
Provision for PRC income tax	18,836	33,905
(Over-provision)/under-provision in respect of prior years	(5)	3,180
Deferred tax		
Origination and reversal of temporary differences	5,645	—
	<u>24,476</u>	<u>37,085</u>

The provision for deferred tax of the Company is based on the applicable rates on the estimated assessable profits in accordance with the relevant income tax rules and regulations of Hong Kong. Hong Kong implements two-tiered profits tax rate. The first HK\$2 million of assessable profits earned by a corporation will be taxed at half of the current tax rate (i.e. 8.25%) whilst the remaining profits will continue to be taxed at 16.5%.

No provision has been made for Hong Kong profits tax and Singapore income tax as the Company's subsidiaries in Hong Kong and Singapore had unutilised tax losses brought forward from prior years which was sufficient to set-off against taxable income of 2019.

Pursuant to the currently relevant 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 preferential rate of 15% as an advanced technology-based service enterprise, and Beijing Laite Laide Management Consultancy Company Limited was at a preferential rate of 20% as a small meager-profit enterprise, during the year ended 31 December 2019.

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 RMB26,403 thousand (2018: RMB82,127 thousand) and the weighted average of 492,611,329 ordinary shares (2018: 506,895,973 shares) in issue during the year, calculated as follows:

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Profit attributable to ordinary equity shareholders	26,403	82,127
Weighted average number of ordinary shares	2019 '000	2018 '000
Issued ordinary shares at 1 January	496,613	514,216
Effect of shares repurchased	(4,002)	(7,320)
Weighted average number of ordinary shares at 31 December	492,611	506,896

(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 RMB26,403 thousand (2018: RMB82,127 thousand) and the weighted average number of ordinary shares of 492,611,329 shares (2018: 506,895,973 shares) after adjusting for the effect of share options in issue, calculated as follows:

	2019 RMB'000	2018 RMB'000
Profit attributable to ordinary equity shareholders (basic and diluted)	26,403	82,127
Weighted average number of ordinary shares (diluted)	2019 '000	2018 '000
Weighted average number of ordinary shares (basic)	492,611	506,896
Effect of share options in issue	—	—
Weighted average number of ordinary shares (diluted) at 31 December	492,611	506,896

8 Dividends

	2019 RMB'000	2018 RMB'000
Final dividend proposed after the end of the reporting period of HKD2.41 cents (approximately RMB2.15 cents) (2018: HKD7.71 cents, approximately RMB6.60 cents) per ordinary share	10,550	32,776

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period as it had not been approved by shareholders.

	2019 RMB'000	2018 RMB'000
Dividends approved and paid to equity shareholders of the Company during the year	34,170	38,078

9 Property, plant and equipment and Investment property

	Buildings	Fixtures, fittings and computer equipment	Motor vehicles	Sub-total	Investment property	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Original cost						
Balance at 1 January 2018	273,935	13,423	15,275	302,633	669,520	972,153
Additions	—	504	782	1,286	—	1,286
Disposals	—	(1,084)	(1,264)	(2,348)	—	(2,348)
Reclassification	(3,547)	—	—	(3,547)	3,547	—
Balance at 31 December 2018	270,388	12,843	14,793	298,024	673,067	971,091
Impact on initial application of IFRS/HKFRS 16	1,162	—	—	1,162	—	1,162
Balance at 1 January 2019	271,550	12,843	14,793	299,186	673,067	972,253
Additions	1,964	86	1,306	3,356	19,214	22,570
Disposals	—	(301)	(860)	(1,161)	—	(1,161)
Reclassification	1,064	—	—	1,064	(1,064)	—
Balance at 31 December 2019	274,578	12,628	15,239	302,445	691,217	993,662
Depreciation						
Balance at 1 January 2018	37,959	11,546	13,872	63,377	80,410	143,787
Charge for the year	7,117	848	362	8,327	14,796	23,123
Disposals	—	(1,040)	(1,201)	(2,241)	—	(2,241)
Reclassification	(1,177)	—	—	(1,177)	1,177	—
Balance at 31 December 2018	43,899	11,354	13,033	68,286	96,383	164,669
Balance at 1 January 2019	43,899	11,354	13,033	68,286	96,383	164,669
Charge for the year	9,074	586	512	10,172	14,127	24,299
Disposals	—	(292)	(817)	(1,109)	—	(1,109)
Reclassification	152	—	—	152	(152)	—
Balance at 31 December 2019	53,125	11,648	12,728	77,501	110,358	187,859
Net book value						
At 31 December 2019	221,453	980	2,511	224,944	580,859	805,803
At 31 December 2018	226,489	1,489	1,760	229,738	576,684	806,422

10 Other non-current financial assets

	<i>Notes</i>	2019 RMB'000	2018 <i>RMB'000</i>
Financial assets measured at FVPL			
— Equity securities listed in Hong Kong	(i)	<u>73,172</u>	<u>—</u>
Equity securities measured at FVOCI			
— Equity securities not held for trading	(ii)	<u>122,000</u>	<u>—</u>
		<u>195,172</u>	<u>—</u>

- (i) The Group entered into a share purchase agreement with FIDA Promotion Limited to obtain shares of China Feihe Limited with a consideration of USD5.36 million. As China Feihe Limited (stock code:6186) listed in Hong Kong on 13 November 2019, the Group now holds approximately 0.10% shares of China Feihe Limited and designated the investment at FVPL.
- (ii) The unlisted equity securities are shares in Shanghai Putao Technology Co., Ltd,. The Group obtained approximately 2.85% of its equity interests. The Group designated its investment in Shanghai Putao Technology Co., Ltd at FVOCI (non-recycling), as the investment is held for strategic purposes.

11 Trade and other receivables

	<i>Note</i>	2019 RMB'000	2018 <i>RMB'000</i>
Non-current assets			
Other receivables		<u>1,587</u>	<u>865</u>
Current assets			
Trade debtors and bills receivable, net of loss allowance	(i)	147,249	153,468
Prepayments and deposits to media suppliers		162,901	254,581
Advances to employees		1,966	3,535
Other debtors and prepayments, net of loss allowance		<u>16,087</u>	<u>17,161</u>
		<u>329,790</u>	<u>429,610</u>

- (i) As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable is as follows:

	2019 RMB'000	2018 <i>RMB'000</i>
Within 3 months	95,244	96,050
3 to 6 months	17,451	18,094
6 to 12 months	2,405	13,296
Over 12 months	32,149	26,028
	<u>147,249</u>	<u>153,468</u>

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

12 Trade and other payables

	2019 RMB'000	2018 <i>RMB'000</i>
	<i>Note</i>	
Trade payables	(i) 16,060	20,224
Payroll and welfare expenses payables	10,582	16,558
Other tax payables	12,331	17,070
Other payables and accrued charges	129,514	67,159
Dividends payable due to non-controlling interests	645	645
	<u>169,132</u>	<u>121,656</u>
Financial liabilities measured at amortised cost		

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

	2019 RMB'000	2018 <i>RMB'000</i>
Within 3 months	12,114	11,574
3 months to 6 months	2,732	6,687
6 months to 12 months	1,066	1,280
Over 12 months	148	683
	<u>16,060</u>	<u>20,224</u>

13 Contract liabilities

	2019 <i>RMB'000</i>	2018 <i>RMB'000</i>
Media services contracts	192,374	226,754
Rental contracts	731	14,521
	<u>193,105</u>	<u>241,275</u>

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of services.

MANAGEMENT DISCUSSION AND ANALYSIS

ABOUT THE GROUP

The overall advertising market sentiments continued to be weak and the operating environment was full of challenges in 2019. The advertising expenses of all media in 2019 shrank 3.1% from a year ago, of which advertising expenses in traditional media has continued to drop, and the dropping extent was less than that of the same period last year, based on the market study released by CTR Media Intelligence. The data shows that the decline in advertising expenses in traditional media has gradually narrowed after a significant decline in the first quarter, but the overall advertising market is still in a downward trend as compared with the same period last year. (Source: CTR Media Intelligence, January 2020).

The Group continued to promote the strategy of providing inter-screen creative communication services as the core, and was committed to providing clients with premium creative products and communication services. During the year under review, the development of business segments within the Group diverged, revenue from segments such as integrated communication services, content operations, digital marketing and rental has increased as compared with the same period last year. Revenue recorded from TV media resources management for 2019 declined significantly from a year ago, due to the cautious advertising spending of certain clients affected by the weak advertising market.

BUSINESS REVIEW

TV ADVERTISING AND CONTENT OPERATIONS

I. TV Media Resources Management

During the year under review, the Group had a total of approximately 12,159 minutes of advertising resources on CCTV-1 (General)/CCTV-News, CCTV-2 (Finance), CCTV-4 (Chinese International), and the exclusive underwriting right for 58,636 minutes of all advertising resources of CCTV-14 Children's Channel. It covered the markets of news, politics, finance, culture and children programs, and also brought more diversified communication channels to clients. Its specific media resources include the "News 30" (新聞30分) jointly broadcasted on CCTV-1 (General)/CCTV-News, "Di Yi Shi Jian" (第一時間) on CCTV-2 (Finance), programs and resource periods including "Across the Straits" (海峽兩岸), and "Today's Focus" (今日關注) on CCTV-4 (Chinese International), as well as all advertising resources of CCTV-14 Children's Channel. Facing the severe market environment, the Group continued to strengthen the capability of developing and serving clients in the area of TV advertisement marketing, and improve the competitiveness through continuously optimizing marketing strategy and media product portfolios during the year.

II. Integrated Communication Services

The Group has gained recognition by a large number of well-known clients for its professional and highly efficient communication services and caring client service philosophy. During the year under review, the Group provided brand information, advertising placement, promotion planning, public relation activities and other multi-dimensional brand integrated communication services to clients including Feihe Dairy, ChimeLong Group, Ping An, Jiangxi Agricultural Products, Hubei Agricultural Products, Taizhou Tourism, Suzhou Tourism, Wuzhen Tourism, Great Wall Wine, Gani Marbles, Milkland.

In respect of international business, the Group actively offered overseas clients with Chinese market promotion, media propaganda, creative planning and other services. The main clients during the year under review include Ministry of Tourism, Government of India, Department of Tourism Indonesia, Washington Tourism Board, Tourism Toronto, YTL Hotels, etc.

III. Content Operations

The Group provided clients with comprehensive and professional commercial advertisement production services. During the year under review, the Group successively served China Banknote Printing and Minting Corporation, China Gold Coin Incorporation, China Construction Bank, Hua Xia Bank, Yuxi Tourism, Tai'an Tourism, Jinyun Tourism, Shaanxi Grain and Oil, COFCO and other clients, providing services involving graphic design, advertising video shooting, producing and editing.

During the year under review, the Group launched R&D management and creative communication business around series film and television program creation, IP creation and other contents, providing tailor-made creative content and communication solutions for clients by program planning, program writing, animation development and on-site execution. The program Animals' Good Partners — ChimeLong's Little Theater for Popularization of Science (動物好夥伴 — 長隆科普小劇場) created for ChimeLong Group by the Group and implemented content marketing by title sponsorship, which has 60 episodes in total, has all been broadcasted in the CCTV-14 Children's Channel. If Animals Can Speak (如果動物會說話), a series of video programs independently developed by the Group has currently finished live shooting for 40 episodes upon approved by CCTV, and the post-production is almost finished. At the same time, the Group tailored program content embedding plans for clients such as Toycloud Technology and SK Group, and approached excellent animation companies at home and abroad to actively explore the areas of IP R&D and authorization of animated images as well as the development of its surrounding industries.

DIGITAL MARKETING AND INTERNET MEDIA

I. Digital Marketing

The Group continuously upgraded its self-developed intelligent programming advertising placement platform, and continued to improve the internet integrated service capacity, providing clients with one-stop digital marketing solutions through technologies of big data and precision placement. During the year under review, the Group successively served Feihe Dairy, Huawei Technologies, Sinopec Epec, Guizhou Zhenjiu (貴州珍酒), Sichuan Langjiu (四川郎酒), Dazhong Appliances, GOME Appliances, Sunshine Insurance, CAISSA Touristic and other clients, receiving a high degree of recognition and praise therefrom.

II. Internet Media

www.boosj.com (播視網) of the Group continued to meticulously cultivate the two major vertical fields: talent fostering of children and healthy life promotion for middle-aged and elderly people, providing users with online video content services and community interaction platform. During the year under review, www.boosj.com integrated and created video content for children's intellectual development and talented enlightenment, enhanced traffic through multi-channel distribution, and enjoyed a steady growth in its active users. At the same time, it continued to explore the potential of health, entertainment and social life for middle-aged and elderly people by integrating online content and offline activities, with the IP events such as "Dance Show in 100 Cities" (百城秀舞) and "Dancing for New Life" (舞動新生活) maintaining competitive edge in the same sector, so as to further enhance the popularity of the Boosj Square Dance.

www.wugu.com.cn (吾谷網) of the Group continued to make clear the need of agricultural brand communication, to produce content products and construct content distribution channels by focusing on two key points: area public brand and "One Village, One Product (一村一品)", with reading quantities for original contents on the whole network throughout the year over 80 million. During the year under review, www.wugu.com.cn continued to undertake the project of "One Village, One Product" from Beijing Municipal Commission of Rural Affairs, and provided online marketing services for local characteristic agricultural products for five towns and villages.

FINANCIAL REVIEW

REVENUE AND PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2019, the Group recorded revenue of RMB1,496,813 thousand, representing a decrease of approximately 7% from RMB1,615,704 thousand last year.

Revenue details for the year under review are as follows:

- (I) Revenue recorded from TV media resources management was RMB1,251,770 thousand, representing a decrease of approximately 11% from RMB1,403,362 thousand last year. Suffered from the continuous weakness in the whole advertising market, certain advertising clients held prudent attitude to the TV advertising placement, clients of tourism, vehicle, medical healthcare, finance and insurance placed fewer advertisements than that of last year. Of which, revenue in the first half of the year decreased significantly compared with the same period last year. Facing the market pressure and challenges, the Group proactively explored new clients in the second half and maintained existing premium clients, as a result of which, the revenue in the second half recovered and the decline of revenue in the whole year narrowed.
- (II) Revenue recorded from integrated communication services and content operations was RMB94,364 thousand in total, representing an increase of approximately 15% from RMB81,778 thousand last year. Among which: (1) Revenue recorded from integrated communication services was RMB69,340 thousand, representing an increase of approximately 20% from RMB57,791 thousand last year. Affected by the settlement cycle of media suppliers, the commission obtained from media suppliers during the year was more than that for last year. (2) Revenue recorded from content operations was RMB25,024 thousand, representing an increase of approximately 4% from RMB23,987 thousand last year. Revenue from this business was mainly from content production of films and TV programs and creative production of commercial advertisements. Revenue from the content projects independently developed and produced by the Group, as well as from the animation co-invested and jointly produced by the Group has been recognized successively during the year, hence the revenue increased compared with last year.

- (III) Revenue recorded from digital marketing and internet media was RMB98,409 thousand in total, representing an increase of approximately 13% from RMB86,738 thousand for the same period last year. The Group's self-developed intelligent programming advertising placement platform operates well, and advertising placement from high quality clients achieved a sustained and stable growth, which resulted in revenue increase from digital marketing as compared with last year; revenue from internet media recorded a slightly decrease as compared with last year.
- (IV) Rental income was RMB63,236 thousand, representing an increase of 5% from RMB60,371 thousand for last year, mainly because certain office buildings temporarily vacant were leased out again during the year, and as a result, revenue from this business was slightly higher than that in the same period last year.

For the year ended 31 December 2019, the profit attributable to equity shareholders of the Company was RMB26,403 thousand, representing a decrease of approximately 68% from RMB82,127 thousand last year.

OPERATING EXPENSES

For the year ended 31 December 2019, the Group's operating expenses were RMB149,144 thousand in aggregate, representing a year-on-year decrease of approximately 5% from RMB156,552 thousand last year, and accounted for approximately 10.0% of the revenue (2018: 9.7%). The Group continued to strictly control the budget on operating expenses, proactively responded to market change and operating pressure and properly lowered the operating expenses, and as a result, both the total operating expenses and the ratio of expenses to revenue remained stable.

Operating expenses include the followings:

- (I) Selling and marketing expenses amounted to RMB58,027 thousand, which remained at similar level compared with that of RMB59,446 thousand last year, and accounted for approximately 3.9% of the Group's revenue (2018: 3.7%).
- (II) General and administrative expenses amounted to RMB91,117 thousand, representing a year-on-year decrease of approximately RMB5,989 thousand from RMB97,106 thousand last year, and accounted for approximately 6.1% of the Group's revenue (2018: 6.0%). The decrease in general and administrative expenses was mainly due to that: (1) the Group adjusted and optimized the internal organization and personnel structure, resulting in a decrease of approximately RMB3,847 thousand in the labor cost of non-marketing personnel as compared with last year; (2) the impairment losses reduced by approximately RMB1,629 thousand as compared with last year.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

During the period under review, the Group had conducted the following significant investments and acquisitions:

- (I) The Group entered into a capital increase agreement of Beijing Golden Bridge Yunhan Advertising Company Limited (“**Golden Bridge Yunhan**”), with independent third parties with client resources and operational experiences, to jointly operate the advertising business of CCTV-9 (Documentary) as its exclusive underwriting agent. Golden Bridge Yunhan was renamed as Beijing Golden Bridge Document Time International Media Company Limited (北京金橋紀錄時代國際傳媒有限公司), in which the Group contributed a total of RMB14.50 million, and its shareholdings changed from 100% to 29%. Such transaction has been fully completed during the year.
- (II) In recent years, the Group has been providing multi-dimensional services such as advertising placement and creative communication planning for China Feihe Dairy Co., Ltd. (中國飛鶴乳業有限公司) (“**Feihe Dairy**”). In order to establish a closer strategic partnership, the Group entered into a share purchase agreement with FIDA Promotion Limited with a consideration of USD5.36 million based on the long-term cooperation and mutual benefits between the two parties, and thus became a minority shareholder of Feihe Dairy. The transaction has been fully completed during the year.
- (III) In November 2019, the Group entered into an investment agreement with Shanghai Putao Technology Co. Ltd. (“**Putao Technology**”) and the existing shareholders of Putao Technology. The Group shall make contribution to Putao Technology in an amount of RMB122 million in cash, holding approximately 2.85% equity interest in the registered capital of Putao Technology. Putao Technology is a technology company principally engaged in animation content creation and production, children toy design and marketing, and children’s education programme development. This investment will enable the Group’s business to extend to consumables market and provide the Group with an opportunity to strengthen the core competitiveness of creative communication and content development. As of 31 December 2019, the Group has injected RMB40 million to Putao Technology and the remaining contribution shall be fully settled in 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's liquidity was adequate with a stable financial position as a whole. As at 31 December 2019, cash and bank balances amounted to RMB583,677 thousand (2018: RMB715,109 thousand), of which approximately 91% was denominated in RMB and the remaining 9% in HK dollars and other currencies. Bank time deposits with maturity over three months held by the Group in RMB amounted to RMB30,436 thousand (2018: RMB8,514 thousand).

During the year, details of the Group's cash flows status were as follows:

- (I) Net cash inflow from operating activities was RMB19,879 thousand (2018: RMB85,766 thousand), which was mainly because of: payment of income tax of approximately RMB27,039 thousand; a decrease of approximately RMB79,887 thousand in prepayment of advertising agency cost to media suppliers as compared to the end of last year; a decrease of approximately RMB34,380 thousand for balance of advertising fees received in advance from customers as compared to the end of last year; and a decrease in other payables of approximately RMB30,360 thousand in aggregate as compared to the end of last year.
- (II) Net cash outflow from investing activities was RMB109,607 thousand (2018: net cash inflow of RMB18,639 thousand), which was mainly attributable to payment for equity investments of approximately RMB79,834 thousand in total; payment for deed tax and stamp tax for investment properties at approximately RMB19,214 thousand; payment for time deposit with maturity over three months at approximately RMB21,920 thousand; and the receipt of interest on bank deposits at approximately RMB14,881 thousand.
- (III) Net cash outflow from financing activities was RMB43,083 thousand (2018: RMB67,406 thousand), which was mainly attributable to: the use of capital for the buyback of the Company's shares of approximately RMB8,913 thousand; and payment of final dividend of 2018 of approximately RMB34,170 thousand.

As at 31 December 2019, the Group's total assets amounted to RMB1,973,841 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,581,443 thousand, and non-controlling interests of RMB-6,048 thousand. As at 31 December 2019, the Group had no interest bearing debts.

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

HUMAN RESOURCES

As at 30 June 2019, the Group had 248 employees in total, less than that at the beginning of the year. During the year under review, the Group continued to streamline execution-related staff for fundamental affairs, control the number of positions for low-efficiency business segments, while at the same time raise the performance bonus for professional positions in sales and marketing, and further implement dynamic performance related remuneration policies for middle and senior management, so as to intensify the connection between working results and personal interests. In the aspect of employee training, the Group undertook regular professional training, with media resources, marketing skills, case studies, occupational qualities and others as the themes, to comprehensively improve the employees' professional knowledge and practical capabilities. In addition to guaranteeing the mandated benefits, the Group continued to provide festival gift money to the elderly parents of employees, held parent-child activities on Children's Day. In order to align the personal interests of employees with those of shareholders, the Company granted share options to employees under share option schemes. Share options that were granted and remained unexercised as of the end of the period totaled 20,912,000 units.

INDUSTRY AND GROUP OUTLOOK

The China Manufacturing PMI in February 2020 was 40.3 as announced by Caixin Media, representing a decrease of 9.6 percentage points compared with February 2019; Service PMI was 26.5, representing a decrease of 24.6 percentage points compared with February 2019. (Source: Caixin Media, March 2020). Due to the novel coronavirus epidemic, the economic activities suffered from severe impact, and the Purchasing Managers Index in February decreased significantly, creating the lowest record. Looking forward to 2020, affected by the outbreak of novel coronavirus and many other uncertainties outside, the operation and development in the whole advertising industry will be faced with huge challenges.

In order to actively respond to market changes and operational pressures, the Group will further adjust and optimize the internal organization and personnel structure, and further expand the implementation scope of dynamic performance related remuneration policies to improve the proportion of dynamic performance related remuneration, and intensify the connection between working results and personal interests. Meanwhile, the Group will implement a number of measures to reduce operating expenses with a view to alleviate short-term pressure and prepare for future development.

As a leading comprehensive media operation group in China, the Group always has confidence in and good expectations on the mid-and-long term market prosperity. Looking forward to the future, the Group will continue to strengthen the core competitiveness of creative communication to improve its operating efficiency. In terms of TV media resources management, the Group will adhere to the client-oriented product and service strategies, retain existing high quality clients while scaling up efforts in new client development, and increase the brand value of clients based on the features and policies in different industries by using the efficient communication of TV advertising.

In terms of the digital marketing and internet media, the Group followed the development trend of internet media, continued to strengthen the technical iterative operation of intelligent programming advertising placement platform, and improve the placing effect and brand impact of clients on the internet by the professional capacity of precision communication. www.boosj.com will keep focusing on the development of vertical areas, enrich the video content products and interactive functions, enhance the resources effect of high quality traffic and constantly improve the operating capability.

With the improvement of domestic consumption structure and the improvement of consumption levels, consumers are constantly pursuing richer content IP and consumer products. The Group will proactively seek for industrial cooperation opportunities by integrating its experiences and capabilities in video content creativity and brand communication. By conducting IP-oriented R&D, investment and operation, it will deeply involve in the industrial operation for IP management, expand the brand development space of the consumer goods and culture and tourism market, so as to lay a foundation for the medium and long-term business development of the Group.

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

During the year under review, the Company completed the buy-back of 5,901,000 ordinary shares on the Stock Exchange of Hong Kong Limited at an aggregate price of HKD10,206,160. The bought-back shares had been cancelled subsequently in 2019. The details of the bought-back shares are as follows:

Date	Number of shares bought-back	Highest Price HKD	Lowest Price HKD	Total paid HKD
28 March 2019	800,000	1.79	1.74	1,412,560
29 March 2019	200,000	1.75	1.71	346,100
2 April 2019	269,000	1.75	1.72	468,960
3 April 2019	300,000	1.75	1.73	523,880
4 April 2019	180,000	1.75	1.74	314,730
9 April 2019	300,000	1.76	1.74	525,900
10 April 2019	129,000	1.75	1.74	225,460
12 April 2019	280,000	1.75	1.73	488,000
15 April 2019	100,000	1.75	1.75	175,000
16 April 2019	228,000	1.76	1.75	400,000
6 May 2019	359,000	1.74	1.72	621,570
9 May 2019	260,000	1.75	1.73	452,900
10 May 2019	85,000	1.73	1.72	146,940
14 May 2019	180,000	1.72	1.71	308,800
15 May 2019	157,000	1.73	1.72	270,640
17 May 2019	260,000	1.73	1.72	448,200
20 May 2019	175,000	1.71	1.69	298,180
23 May 2019	572,000	1.71	1.64	955,060
24 May 2019	300,000	1.70	1.66	507,510
27 May 2019	142,000	1.75	1.68	243,010
31 May 2019	318,000	1.74	1.71	549,990
3 June 2019	307,000	1.72	1.68	522,770
	<u>5,901,000</u>			<u>10,206,160</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company listed securities during the year under review.

CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2019, the Company has fully complied with all 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**”)

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 made specific enquiries, 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 2019.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL INFORMATION

The Audit Committee was set up by the Board for the purpose of reviewing and providing supervision over the Group’s financial reporting process, risk management system and internal control system. It currently comprises three Independent Non-executive Directors of the Company.

The Audit Committee has reviewed with the management and the external auditor the audited consolidated financial statements, the annual results for the year ended 31 December 2019 of the Group and the accounting principles and practices adopted by the Group.

FINAL DIVIDEND

The Board recommended a final dividend of HKD2.41 cents (2018: HKD7.71 cents) for the year ended 31 December 2019 per share to shareholders whose names appear on the register of members of the Company on Friday, 19 June 2020. The final dividend will be paid in Hong Kong dollars on or about Wednesday, 8 July 2020 subject to the approval of shareholders at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 9 June 2020 (“**AGM**”). Notice of the AGM together with the Company’s annual report for the year ended 31 December 2019 will be dispatched to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 4 June 2020 to Tuesday, 9 June 2020 (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 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, by no later than 4:30 p.m. on Wednesday, 3 June 2020.

The register of members of the Company will also be closed from Wednesday, 17 June 2020 to Friday, 19 June 2020 (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to the proposed final 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, 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 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, by no later than 4:30 p.m. on Tuesday, 16 June 2020.

On behalf of the Board
SinoMedia Holding Limited
CHEN Xin
Chairman

Hong Kong, 27 March 2020

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