# ANNUAL REPORT
# 2013 年報

STOCK CODE 股份編號：00623

SinoMedia®

中視金橋國際傳媒控股有限公司

SinoMedia Holding Limited

# About us

SinoMedia Holding Limited (the "Company" or "SinoMedia") and its subsidiaries (collectively the "Group") is a leading media corporation. With the focus on consolidating an "Internet + TV" inter-screen communication marketing platform, the Group actively develops "Internet Media and Content Operations" segment, and continuously improves its "TV Media Resources Management" and "Integrated Brand Communication Services" businesses.

# Contents



# Financial Summary

| (RMB'000) | At 31 December 2013 | At 31 December 2012 |
|---|---|---|
| Total Assets | 2,515,312 | 2,839,156 |
| Equity attributable to equity shareholders of the Company | 1,478,150 | 1,224,713 |

## Change (%) of 2013 vs. 2012

Revenue +8%

Profit from operations +21%

Profit attributable to equity shareholders of the Company +22%

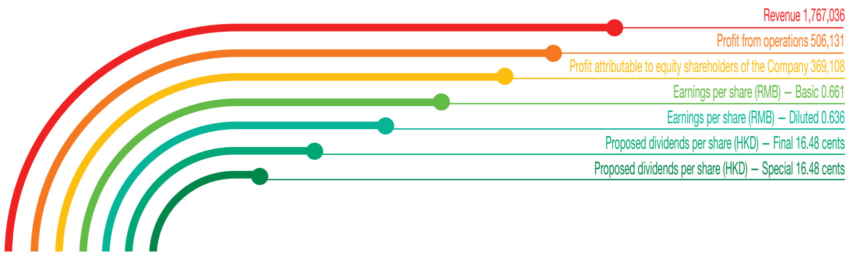
Earnings per share (RMB) — Basic +22%

Earnings per share (RMB) — Diluted +20%

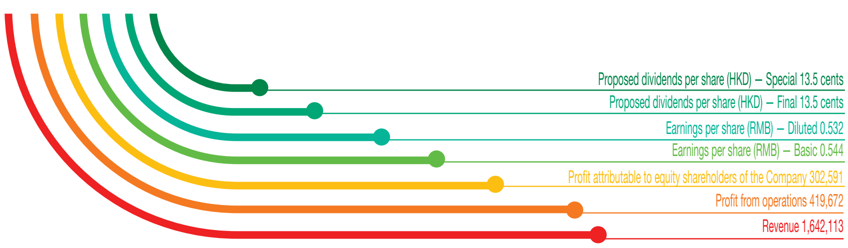
Proposed dividends per share (HKD) — Final +22%

Proposed dividends per share (HKD) — Special +22%

## For the year ended 31 December 2013 RMB'000




## For the year ended 31 December 2012 RMB'000



## Revenue:

### Change (%) of 2013 vs. 2012

Media resources management +5%

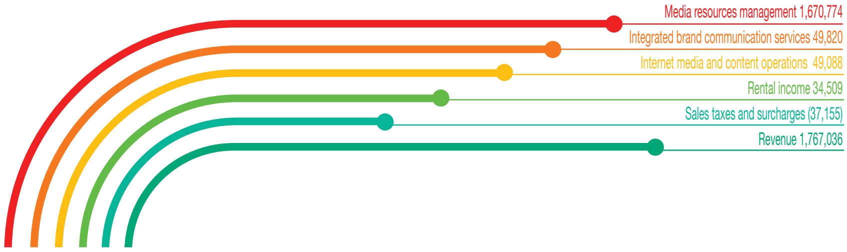
Integrated brand communication services +27%

Internet media and content operations +37%

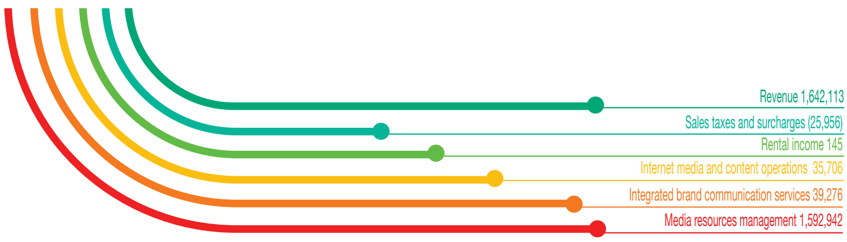
Rental income >100%

Sales taxes and surcharges +43%

### For the year ended 31 December 2013 RMB'000




### For the year ended 31 December 2012 RMB'000




## Turnover:

### Change (%) of 2013 vs. 2012

Media resources management +5%

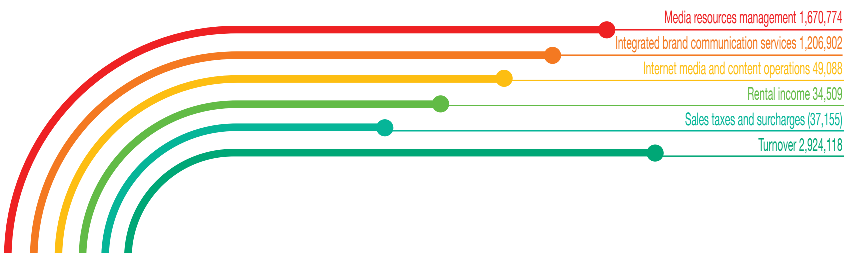
Integrated brand communication services -2%

Internet media and content operations +37%

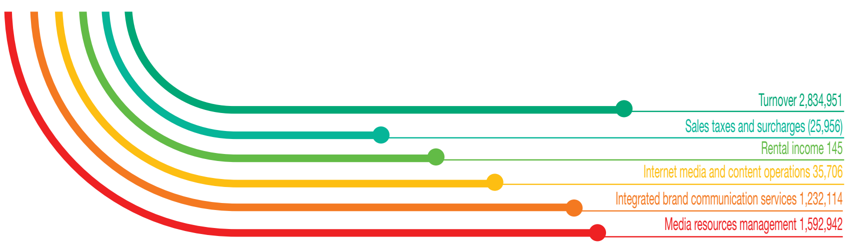
Rental income >100%

Sales taxes and surcharges +43%

### For the year ended 31 December 2013 RMB'000



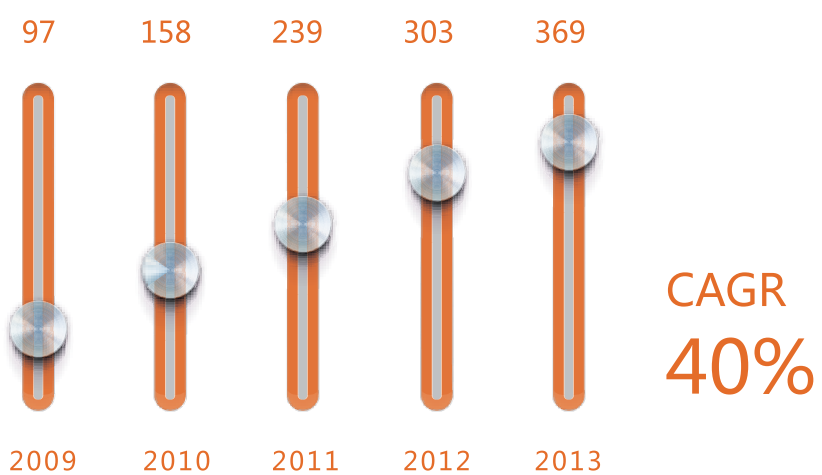

### For the year ended 31 December 2012 RMB'000



# Continuous Growth

## Gross profit (RMB' million)


## Profit attributable to equity shareholders of the Company (RMB' million)



# Corporate Information

## EXECUTIVE DIRECTORS

Mr. Chen Xin *(Chairman)*
Ms. Liu Jinlan
Mr. Li Zongzhou

## NON-EXECUTIVE DIRECTORS

Mr. He Hui David

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ding Junjie
Mr. Qi Daqing
Mr. Lian Yuming
Ms. Wang Xin

## AUDIT COMMITTEE

Mr. Qi Daqing *(Chairman)*
Mr. Ding Junjie
Mr. Lian Yuming

## REMUNERATION COMMITTEE

Mr. Ding Junjie *(Chairman)*
Mr. Chen Xin
Mr. Lian Yuming

## NOMINATION COMMITTEE

Mr. Chen Xin *(Chairman)*
Mr. Ding Junjie
Mr. Lian Yuming

## COMPLIANCE COMMITTEE

Mr. Li Zongzhou *(Chairman)*
Mr. Chan Oi Nin Derek

## COMPANY SECRETARY

Mr. Chan Oi Nin Derek

## AUTHORISED REPRESENTATIVES

Mr. Chen Xin
Mr. Chan Oi Nin Derek

## REGISTERED OFFICE OF THE COMPANY

Unit 402, 4th Floor, Fairmont House,
No.8 Cotton Tree Drive, Admiralty, Hong Kong

## CORPORATE HEADQUARTERS

Unit 15D, Xintian International Plaza,
No. 450 Fushan Road, Pudong New District,
Shanghai, PRC

## AUDITORS

KPMG

## SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

## WEBSITE

www.sinomedia.com.hk

# 2013 Year in Review

**SinoMedia was selected as a China's Top 10 Competitive Advertising Agency**

At a press conference announcing the results of a special research project for public satisfaction on the service industry in China held at Beijing's Great Hall of the People, SinoMedia was selected as "China's Top 10 Competitive Advertising Agency" and "Public Satisfaction Model Brand for China Mainstream Media Operation".

## January 1

**SinoMedia made donations to Hope School to discharge its corporate social responsibility**

SinoMedia's public welfare team brought 12,695 textbooks and related materials donated by the Group to children of Yanjing Xiao Tian E Gongyi Xiaoxue (燕京小天鵝公益小學) located at Beiqing Road, Changping District, Beijing. This was the second donation following last year's donation of coal to the primary school in winter. SinoMedia has long been committed to carrying out public welfare activities, positively undertaking corporate social responsibility and advocating solving the difficulties of Yanjing Xiao Tian E Gongyi Xiaoxue practicably, with an expectation to pass the passion and pursuit for dreams to those children who are growing under a difficult environment to light up their quest for dreams for their future.

## June 6

## July 7

**SinoMedia made voice at Cannes Advertising Festival as the only domestic TV advertising company**

"China Day Forum" was held for the first time with success at the 60th Cannes Lions International Festival of Creativity. SinoMedia attended the forum as the only domestic TV advertising company. Mr. Chen Xin, Chairman of the Board of SinoMedia, delivered a speech to over a hundred of international counterparts and business elites on the theme of "700 Billion US Dollars of Chinese Treasures".

4 **April**

### wugu.com.cn got a facelift

www.wugu.com.cn, self-built informative service platform for Chinese modern agriculture by SinoMedia, has been growing rapidly since its launch, with the traffic being among top three of the agricultural websites in China. The revamped version started with the implementation of exquisite content operation, self-development of a system for website content management, redesign of an information architecture and launch of a specialised agricultural blog. These played a fundamental role in content and product development for wugu.com.cn in the future.

### SinoMedia made its debut at "2013 China Domestic Tourism Trade Fair"

"2013 China Domestic Tourism Trade Fair" organised by the National Tourism Administration and others attracted active participation and attention from relevant organisations throughout China. To strengthen exchanges and cooperation with customers from cities and the tourism industry, and showcase the leading position of SinoMedia in city branding and the comprehensive strength of the Group, SinoMedia and the Group's network media platforms such as boosj.com, wugu.com.cn, Super Channel and 100TV participated in the trade fair, featuring the team as "The Largest Professional Tourism Branding Service Organisations on CCTV".

### boosj.com launched tvdb.boosj.com

www.boosj.com, an Internet video website, launched tvdb.boosj.com, marking the full-scale commencement of a large survey on TV programmes of TV stations in cities across China in 2013. The large-scale research, being the country's most authoritative and most influential one in the TV broadcasting industry, covered different organisations and projects such as satellite channels, provincial terrestrial channels, city television stations, film and television production agencies, TV programmes, TV public service activities and commercials, terrestrial coverage of satellite channels and nationwide audiovisual new media. As SinoMedia's video network media, boosj.com follows the concept of "new videos, new life". It focuses on the quality of life of people and establishes an integrated video website featuring information on people's livelihood and thematic elements of daily life services, making itself unique in the video network industry.

### Grand opening of 2013 SinoMedia Summit Forum for VIP Customers

"Media in Multi-screen Era", the 2013 SinoMedia Summit Forum for VIP Customers, was grandly opened. The forum was jointly organised by CCTV, SinoMedia and Sohu.com, at which the trends of the Chinese media were analysed from various perspectives such as economy, politics and advertising media. The guests voiced their views on how to seize opportunities and use the media in a flexible combination. This indicated that SinoMedia, as a leading media corporation in China, has been well prepared for and confident in the new changes arising from the multi-screen era.

8 **August**

# 2013 Year in Review

**SinoMedia was relocated to The Place — SinoMedia Tower**

SinoMedia was relocated to The Place — SinoMedia Tower with the holding of a brief but grand relocation ceremony. A number of business partners and counterparts conveyed congratulations in various ways. The official opening of The Place — SinoMedia Tower was a monument for the rapid development of the Group, and also a new starting point.

## September 9

## 10 October

**"Honour of Parents" event launched**

The "SinoMedia Outstanding Employees' Honour of Parents" event was launched. The Group organised and led a tour to Singapore and Malaysia for the parents of outstanding employees of the year together with staff. SinoMedia has an age-old tradition for caring the family members of its employees. This event has been held for four consecutive years. Of all virtues, honouring parents is the most important. A company's development should benefit parents. By honouring parents, a company expects its employees to give thanks to those around them, and to society. Thanksgiving is the core concept of SinoMedia's "family culture".

## December 12

### lotour.com upgraded in the new year

www.lotour.com, SinoMedia's travel internet media, completed a major facelift across the platform, with the launch of various main products, such as a new homepage, a destination channel, a discovery channel and a user footprint page. lotour.com provides Internet users with media level tourist destination information services and successfully commences the online services for the first tourist destination brand interactive marketing system in China. The new lotour.com focuses on a core idea: to provide Internet users with tourist destination information services that come with both professional guidance and assistance from users to make every travelling dream more easily come true.

## 11 November

### Original programme "Scent of a Man" was aired on Jiangxi Satellite TV

SinoMedia signed a cooperation agreement with Jiangxi Satellite TV for the airing of "Scent of a Man", a cooking reality show created, invested and shot by SinoMedia. This was a breakthrough made by SinoMedia in the upstream business of creative content production, during the implementation of its strategy for the whole media industry value chain.

### SinoMedia's contract value in the presale tender of CCTV in 2014 grew nearly 20% year-on-year

In the tender for 2014 CCTV primetime advertisement resources, the total value of advertising resources for which SinoMedia made successful bids for its customers grew nearly 20% over last year, far higher than industry average, breaking the Group's record in tender over past years and further enhancing its market share. As to client category, industry clients such as the Internet, home appliances and e-commerce were added to the client base, together with insurance, finance, wine and healthcare products categories, so that the composition of its clients was further optimized and the business scope was broadened.

# Awards and Recognition

## Company Honours

1

Award: CCTV 2012 Top 10 Advertising Agency

Time: March 2013

Awarded by: China Central Television Advertising Centre

Award Description: "CCTV Top 10 Advertising Agency" is an annual award presented by CCTV to its advertising agency partners, and the highest award granted by CCTV to its agencies. SinoMedia has received this award for seven consecutive years.

2

Award: 2012 China's Most Influential Advertising Agency

Time: April 2013

Awarded by: China Advertising Association

Award Description: This award was granted at "2013 The Ninth China Advertising Forum cum Chinese Brands and Advertising Impact Conference" organised by China Advertising Association. The event aims to strengthen exchanges and cooperation in the nationwide advertising industry and to promote the industry, local city brand-building as well as economic and social development. The event is deemed by the industry as "Davos Conference on Advertising in China".

3

Award: China's Most Creative Platform of Communication

Time: September 2013

Awarded by: China Creative Communication International Awards

Award Description: China Creative Communication International Awards were organised by the 21st Century Marketing Multimedia Platform and co-organised by Hong Kong Commercial Publicity Association Ltd., Taipei Association of Advertising Agencies and Association of Advertising Agents of Macau. China Creative Communication International Awards aim to explore and recognise classic cases which effectively create marketing and communication results with innovative ideas, strategies, methods and technologies, and to enhance the overall marketing and communication standards in China by carrying on the spirit of creative communication to promote the development and prosperity of the entire industry. Following the success in holding the event over the past five years, the awards have created a favourable impact in Mainland China.

4

| | |
|---|---|
| Award: | Outstanding Contribution for China 4A |
| Time: | October 2013 |
| Awarded by: | China Advertising Association of Commerce |
| Award Description: | China Advertising Association of Commerce was the oldest nationwide advertising industry organisation established in China. Having drawn on worldwide experiences, it gathered local advertising companies with strong financial strength, good reputation and high service standards as well as successful advertising joint ventures in China, to jointly form China 4A, a high-end advertising organisation in China. China 4A promotes self-development of the advertising industry while delivering brand-building services. |

5

| | |
|---|---|
| Award: | Individual Award, 2013 China Best Employers in the Media Industry |
| Time: | November 2013 |
| Awarded by: | 2013 China Best Employers Selection and Award Presentation Ceremony |
| Award Description: | "China Best Employers" is a branding event of employers with the most extensive audience coverage, the greatest impact as well as the fairest and the most equitable selection results in China, organised by Taihe Consulting, a Chinese leading human resource services provider, and under the guidance of the National Development and Reform Commission, Ministry of Human Resources and Social Security, Ministry of Commerce and China Association of Human Resource Development and Research. In this event, three awards, namely outstanding enterprise award, industry general award and industry individual award, were set up and granted to ten major industries, including the real estate, high technology, manufacturing, consumer product, media, finance, medicine, energy and chemicals as well as the service industries. |

## Professional Honours

1

| | |
|---|---|
| Award-winning work: | Video "Henan, the Hometown in My Heart" |
| Award: | 2012 China's Most Influential Advertising Communication Case Award |
| Time: | March 2013 |
| Awarded by: | China Advertising Association |
| Award Description: | This award was granted at "2013 The Ninth China Advertising Forum cum Chinese Brands and Advertising Impact Conference" organised by China Advertising Association. The event aims to strengthen exchanges and cooperation in the nationwide advertising industry and to promote the industry, local city brand-building as well as economic and social development. The event is deemed by the industry as "Davos Conference on Advertising in China". The creativity, production and copywriting of the award-winning work were all well-received by the experts and academics from the industry without a hitch. |

2

| | |
|---|---|
| Award-winning work: | Video "PICC by My Side" |
| Award: | 2012 China's Most Influential Advertising Communication Case Award |
| Time: | March 2013 |
| Awarded by: | China Advertising Association |
| Award Description: | This award was granted at "2013 The Ninth China Advertising Forum cum Chinese Brands and Advertising Impact Conference" organised by China Advertising Association. The event aims to strengthen exchanges and cooperation in the nationwide advertising industry and to promote the industry, local city brand-building as well as economic and social development. The event is deemed by the industry as "Davos Conference on Advertising in China". The award-winning work showcased the extraordinary strength of the Group in terms of content production. |

# Awards and Recognition

3

| | |
|---|---|
| Award-winning work: | Video "Hubei, Home to Wonders" |
| Award: | 2012 China's Most Influential Advertising Communication Case Award |
| Time: | March 2013 |
| Awarded by: | China Advertising Association |
| Award Description: | This award was granted at "2013 The Ninth China Advertising Forum cum Chinese Brands and Advertising Impact Conference" organised by China Advertising Association. The event aims to strengthen exchanges and cooperation in the nationwide advertising industry and to promote the industry, local city brand-building as well as economic and social development. The event is deemed by the industry as "Davos Conference on Advertising in China". |

4

| | |
|---|---|
| Award-winning work: | SinoMedia 2012 Annual Report |
| Awards: | Silver Award for Annual Report 2012 under the category of media companies by the League of American Communications Professionals ("LACP"), "Top 50 in the Rating of Annual Reports in the Asia-Pacific Region" and "Top 50 in the Rating of Chinese Annual Reports". |
| Time: | July 2013 |
| Awarded by: | League of American Communications Professionals |
| Award Description: | Established in 2001, the League of American Communications Professionals is committed to creating professional display platforms in the public relations sector to set good examples around the world. SinoMedia has received this award for the fourth consecutive year. |

5

| | |
|---|---|
| Award-winning work: | SinoMedia 2012 Annual Report |
| Awards: | ARC Gold Award and Overall Excellence Award, and Special Award in China Region |
| Time: | September 2013 |
| Awarded by: | ARC Panel of Judges |
| Award Description: | The ARC Award, set up 27 years ago, is the world's largest and the most representative competition for honoring excellence in annual reports. It is called the "Oscar Award of Annual Report". This year, the accrediting bodies selected the best works among a total of 2,260 entries from 34 countries. In addition to the awards selected for annual reports by design and production, special awards were also selected by regions, and only one company in each region received this award. SinoMedia was the only company in China that received this special award in China region. |

# Personal Honours

1

| | |
|---|---|
| Winner: | Liu Baofu |
| Award: | China 4A Lifetime Achievement |
| Time: | October 2013 |
| Awarded by: | China Advertising Association of Commerce |
| Award Description: | China Advertising Association of Commerce was the oldest nationwide advertising industry organization established in China. Having drawn on worldwide experiences, it gathered local advertising companies with strong financial strength, good reputation and high service standards as well as successful advertising joint ventures in China, to jointly form China 4A, a high-end advertising organisation in China. China 4A promotes self-development of the advertising industry while delivering brand-building services. |

2

| | |
|---|---|
| Winner: | Liu Jinlan |
| Award: | China 4A Person of the Year |
| Time: | October 2013 |
| Awarded by: | China Advertising Association of Commerce |
| Award Description: | China Advertising Association of Commerce was the oldest nationwide advertising industry organization established in China. Having drawn on worldwide experiences, it gathered local advertising companies with strong financial strength, good reputation and high service standards as well as successful advertising joint ventures in China, to jointly form China 4A, a high-end advertising organisation in China. China 4A promotes self-development of the advertising industry while delivering brand-building services. |

# Chairman's Statement

In 2014, SinoMedia has come to the start of the Group's second fifteenth-years. Inheriting the past and ushering in the future, the Group closely followed the trend of domestic macroeconomics and seized the pace of the media advertising industry. In August 2013, the Group started to tenaciously execute the Group's strategic upgrade, enhanced the business structure in time and promoted the synergy among segments. Thus, the Group's overall gross profit margin for the year continued to rise, which realised a net profit of about RMB370 million, representing a year-on-year increase of 22%.

At present, the Internet media platform occupied a dominant position in media and integrated content marketing and progressively became the mainstream choice for brands in the inter-screen era. Accordingly, during the year under review, the Group strived to invest in the construction of its Internet media platforms, expansion of the development and operation of programmes as well as creative production of advertising content business, forming the business cluster of "Internet media and content operation". This business cluster aimed to provide the overall strength and occupy the upstream in the media industry chain by creating video communication content and Internet broadcast channels. By providing the client's brands with services such as brand communication, marketing channels and data marketing, this will ultimately lay the foundation for the mid- to long-term value of SinoMedia as an inter-screen media operation platform.

Regarding the construction of Internet media platforms, lotour.com aspired to be a leading tourist destination information Internet media to integrate and provide travel information services for users and to solidify the brand assets on the Internet for travel-related brands. Thus, during the year under review, we developed "tourist destination information interactive marketing system" and launched the brand homepage products. The monthly user coverage recorded a delightful year-on-year growth. During the year, boosj.com, the sole video website of the Group, optimised and enhanced the quality of video content mainly focusing on the "TV Landmark" project. Boosj.com actively developed the collaboration with other Internet platforms to achieve the objective of creating the top information platform for urban livelihood. Wugu.com.cn, the Group's wholly-owned self-developed modern agricultural information services platform in China which ranked the top among integrated agricultural Internet media, principally focused on providing services to and influencing the elite "New Farmers" comprising high-end agricultural users, modern agricultural practitioners as well as agricultural investors.

For content operation, on top of maintaining the established advantages in advertising and brand creativity, visual design and advertisement shooting, the Group made the first breakthrough during the year — the successful development of an original lifestyle programme "Scent of a Man" aired on Jiangxi Satellite TV, which laid the foundation for the next step to implement integrated programme content marketing. Meanwhile, we also made breakthroughs on the Internet media creative planning projects as well as creative production and syndication of public service advertisements.

TV advertising and branding services, as the Group's traditional ascendant business, furnished a basic protection for the Group's sustainable healthy development. During the year under review, the Group continued its original operation of exclusive underwriting contract and acquired additional exclusive underwriting rights, which maintained its competitive edge in the TV advertising business. By virtue of the Group's intensive nurture in recent years, the brand communication business flourished with gratifying harvest on the number of clients, scale, types and the service content provided. We believed that, the extensive professional experience together with 3,000 basic clientele including enterprises and tourism attractions accumulated over fifteen years will continue to favour the Group's strategic upgrade with a high-level starting point and a broad space.

These two years will be the critical period for SinoMedia to realise its strategic upgrade. Under the leadership of the Group's board of directors and management, SinoMedia will strive to create a media operation platform which adapts to the future media market structure. The Group will maintain its advantage and stable development of its TV advertising and brand communication business and allocate more resources to its Internet media platforms such as lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網). The Group will strive to significantly enhance the value of the Group's "Internet + TV" inter-screen communication marketing platform in the coming two years and strengthen the ascendancy of the Group's brand communication services in specific areas such as travel industry and agriculture. Meantime, the Group will prudently respond to the possible complex economic situation by closely following the comprehensively deepening reform implementing by the Chinese government. We emphasise the structure and quality of development while keeping an appropriate pace and scale for development. We sincerely look forward and never cease to create a constant long-term value for the staff, society and shareholders in the progress of SinoMedia approaching the aim of being a world-class media corporation.

# Chen Xin

"SinoMedia will strive to create a media operation platform which adapts to the future media market structure. The Group will maintain its advantage and stable development of its TV advertising and brand communication business and allocate more resources to its Internet media platforms such as lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網). The Group will strive to significantly enhance the value of the Group's "Internet + TV" inter-screen communication marketing platform in the coming two years and strengthen the ascendancy of the Group's brand communication services in specific areas such as travel industry and agriculture."

# SinoMedia: strategic upgrade for a new business structure

Given the current major trend of "multi-screen integration" in brand communication and marketing, SinoMedia, as the only cross-media corporation with online media platforms in the Chinese market, aims to provide clients with "network+TV" media platform services for achieving sustainable development.

# Management Discussion and Analysis

## ABOUT THE GROUP

In 2013, with a slowdown in domestic economic growth, the difficulty in advancement of economic structural adjustments and the fission of the structure of media advertising industry, the Group maintained its market advantage in its own well-established business, and, at the same time, executed the enhancement of the group strategies based on the in time positioning in the previous years, to start a business expansion mainly focusing on the Internet media and the research and development as well as operation of programmes, thus updated its business structure. Both revenue and profit showed the positive momentum of sustainability.

According to the relevant data from the National Bureau of Statistics of the PRC, China's Gross Domestic Product ("GDP") for 2013 achieved a year-on-year increase of 7.7%, higher than the growth target and in line with the general rule for which the growth rate of global catching-up economies may decline after a period of rapid growth, as well as embodying the objective requirement for the transformation and upgrade of China's economic development. Among which, the proportion in GDP of the tertiary industry has risen to 46.1%, surpassing the secondary industry for the first time. The annual retail sales of consumer goods, excluding the price factor, recorded an actual year-on-year growth of 11.5%, also higher than the GDP growth. Accordingly, combining the aforesaid consolidated effect of macroeconomics and the continuous growth of the tertiary industry and social consumption, the Group will face a more positive and broader scope for development in the mid- to long-term.

With regard to the industry, the sustained growth of Internet media and TV media has still provided opportunities for the Group's healthy and rapid development. According to the latest statistics from China Internet Network Information Center (CNNIC), the number of the country's Internet users reached 618 million as of December 2013. According to the latest data from CTR, an authoritative research institute, in 2013, the TV media advertising showed a continuous growth of 9.6%, higher than the overall growth of traditional media of 6.4%. Moreover, the growth of advertising in Internet media reached 27.6%, which showed a stronger latecomer advantage.

Linking the above trends, the Group maintained its advantage and stable development of its existing TV media and brand advertising agency business and, at the same time, set the key expansion direction at expanding Internet media platform as well as developing and operating lifestyle video programmes. The Group accelerated its business growth in terms of scale by allocating more resources to its Internet media platforms such as lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網). In the coming two years, the Group will strive to significantly enhance the value of the Group's "Internet + TV" consolidated inter-screen communication marketing platform.

It is emphasised that, the Group has deeply cultivated its brand communication and marketing for fifteen years and accumulated substantial professional experience and client resources, while these were the Group's basic advantages as a comprehensive media corporation. We have put tremendous effort and expect to establish the core competitiveness which distinguished ourselves from existing traditional media advertising agencies through focusing on the development of vertical areas with long-term growth prospects and existing market advantage such as travel and agriculture, constructing a new media ecosystem covering multi-screen media such as TV, PC, and mobile terminals with values including brand communication, marketing channels and data mining, and, last but not least, striving to promote the communication and marketing for brands in the specific industries. The Internet media platforms which the Group has decided to invest and build based on the above logic in recent years have boosted in 2013, generating and to generate greater synergy with the Group's long-established TV advertising business.

## BUSINESS OVERVIEW

Along with the commencement and expansion of the emerging businesses, during the year under review, the Group completed the upgrade of its business structure and integrated the Group's various business segments into two business clusters — "Internet media and content operations" and "TV advertising and branding services".

### INTERNET MEDIA AND CONTENT OPERATIONS

At present, Internet platforms step into the media-driven stage from the technology-driven stage, and content marketing is becoming the marketing strategy to which the brands progressively pay more attention in the inter-screen era. During the year under review, the Group restructured and formed the business cluster of "Internet media and content operation", and aimed to adapt to the media and market environment in the future and create video communication content and Internet channels, thus to provide the overall strength and occupy the upstream in the media industry chain. This will ultimately lay the foundation for the mid- to long-term value of the Group as an inter-screen media operation platform. Currently, this business cluster includes the operation of lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網), the Group's three largest Internet media platforms, as well as the businesses such as the development and operation of programmes and creative production of advertisement and content.

## I. INTERNET MEDIA

### 1. www.lotour.com (樂途旅遊網)

The Group completed the increase of holdings of Beijing Lotour Huicheng Internet Technology Company Limited during the year under review. As a leading travel network media in China, lotour.com owns a well-established technology team and serves the public and the consumer market with travel information. The Group has commenced fully engaging in the operation of lotour.com since August 2013. The Group spent over one month to complete lotour's overall transition with the successfully developed and launched "tourist destination information interactive marketing system" (brand homepage) products. The monthly user coverage increased 83% over the prior year as of October 2013 (Source: iResearch). Also, in December 2013, lotour.com ranked number one in terms of the "Coverage of Media Platform Travel Websites", surpassing numerous mainstream travel network media (Source: ctcnn.com Think-tank). Accordingly, the popularity and reputation of lotour.com were significantly enhanced and recognised by both the Internet users and the brand clients. According to the latest statistics from Google Analytics, the daily page views ("PV") and individual user visits ("UV") for lotour.com in 2013 increased 34% and 54% year-on-year, and cumulative PV and UV were over 1.9 billion times and 200 million times for the year, respectively. The Group highly praised the marketing platform value of lotour.com as a travel network media and considered that it will contribute the extended marketing value for the Group's enormous existing travel-related clientele, and realise the seamless connection between TV and Internet platform for them.

### 2. www.boosj.com (播視網)

As the sole video Internet media of the Group, boosj.com concentrated on the completion of the upgrade of its website contents and operation structure during the year under review. With the catchword of "New Videos, New Life", boosj.com aimed at creating the top information platform for urban livelihood through delivering hotspot livelihood information and providing urban cultural lifestyle services. In the aspect of enhancing the quality of video content, "TV Landmark" project is the core of content integration, obtaining authorizations from over 60 channels and TV stations and having programmes of over 27,000 minutes per week. Meanwhile, as a result of the cooperation with Baidu Video (百度視頻), the maximum monthly cumulative user coverage for boosj.com in 2013 rose by 350%, continuously creating new records for the daily maximum user visits. In order to enhance the user experience, boosj.com is actively developing the collaboration with other Internet platforms and exploring ways of more sophisticated marketing techniques.

### 3. www.wugu.com.cn (吾谷網)

Wugu.com.cn is the Group's self-developed modern agricultural information services platform which continuously ranked the top among integrated agricultural Internet media in terms of daily PV (Source: Alexa, November 2013). During the year under review, wugu.com.cn actively extended the construction of its platform, developed and launched the technology of news search capture, and emphasised the quantity and quality of original news stories. Also, wugu.com.cn developed two product channels, "Wugu's specialties" and "Commune", which successfully went online, and confirmed its future product planning. With the cooperation of online and offline activities, wugu.com.cn achieved recognition from the industry and ultimately realised marketing breakthroughs. Wugu.com.cn, as the Group's precise deployment plan in the feature vertical area, principally focused on providing marketing and product services for high-end agricultural users, modern agricultural practitioners as well as agricultural investors.

## II. CONTENT OPERATION

### 1. Programme development and operation

During the year under review, the Group successfully launched its first original lifestyle programme "Scent of a Man", which was aired on Jiangxi Satellite TV, with its highest rating being among one of the highest of satellite TV channels in the same timeslot. This set a milestone for the Group's creative production of video programmes. Along with the first season of the programme on air, the Group has gained experience in the aspects of creativity, integration, operation and promotion of video programme development and operation business, and concluded a path for the future projects: relying on the core competitiveness comprising the marketing resources from quality clients and multi-screen media platforms; drawing support from a professional talent team; evaluating the video quality, influence of content, collaboration platforms and other aspects of the programmes; creatively implementing the example of programme content integrated marketing under the "SinoMedia" brand.

### 2. Creative production of advertisement and content

During the year under review, the Group continued its stable performance on creative production of advertisement and content business, which won a number of renowned national and international awards on creative advertisements, brand creativity, visual design and advertisement shooting, etc. Meanwhile, the Group has successfully planned and executed "Winter Swap", the online-offline linkage project of Jilin Province Tourism, which realised the Group's breakthrough on the Internet media creative planning. During the year under review, the team for creative production and syndication of public service advertisements completed several public service advertisements in hot topics. Through the enhancement of communication and collaboration with media platforms, it successfully connected the output channels for public service advertisements of about 200 local TV stations, and also became the partner of CCTV in public service advertising production.

## TV ADVERTISING AND BRANDING SERVICES

TV advertising and branding services, as the Group's traditional ascendant business cluster comprising two businesses of TV media resources management and integrated brand communication services, occupied the midstream and downstream of the media industry chain through the operation of exclusively underwritten TV advertising resources and the provision of integrated brand services. This served as the energy source for the Group's sustainable healthy development. This business cluster has accumulated nearly 3,000 basic clientele including enterprises and tourism attractions for the Group for over fifteen years. The Group distinguished itself from others by its strong resources and professional services, and shaped "SinoMedia" as the leading brand among China's domestic 4A advertising agencies.

### I. TV MEDIA RESOURCES MANAGEMENT

During the year under review, the Group renewed its current exclusive underwriting contracts and acquired additional exclusive underwriting rights, which further consolidated the Group's leading position as an exclusive underwriter primarily of CCTV's programme advertisements. The Group had approximately 39,501 minutes of advertising time resources on a total of 50 programs on channels including CCTV-1 (General)/CCTV-News (Chinese), CCTV-4 (Chinese International, including Europe and the US), CCTV-5 (Sports), CCTV-7 (Military and Agriculture) and CCTV-NEWS (English), holding its market share in program types such as news, culture, agriculture, feature, lifestyle programmes 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), "World in Depth" (深度國際), "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), "Weather Forecast" during "Sports News" programs on CCTV-5 (Sports), 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).

## 2. INTEGRATED BRAND COMMUNICATION SERVICES

By virtue of the Group's intensive nurture in recent years, the brand communication business flourished with rich harvest on the number of clients and the service coverage. During the year under review, the Group continued to serve clients such as the Postal Savings Bank of China, China Life Insurance Company, Ping An Insurance (Group) Company of China, Ltd., the People's Insurance Company (Group) of China, Suning Appliance Company, and Dalian Shangpintang Marine Life Co. Ltd.. The Group was also engaged by Zhongshan Vatti Gas Appliance Stock Co., Ltd., Alibaba, Tencent Holdings Ltd., Baidu, Qihoo 360 Technology Co. Ltd, McDonald's and Huiyuan Group for its TV advertising placement and service agency business. In the 2014 CCTV Prime Time Resources Auction, the advertising resources purchased on behalf of the clients had a year-on-year increase of about 20%, surpassing the average industry level and, as a result, further optimised the client structure and expanded the business scope. In addition, the Group made a breakthrough on the brand consultancy, continued to move forward in the purchasing sector of Internet and mobile interlinked media resources, and started to explore the integrated marketing on satellite TV, in order to comprehensively strengthen the communication services capability of SinoMedia brand.

# FINANCIAL REVIEW

## REVENUE AND PROFIT ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY

For the year ended 31 December 2013, the Group recorded revenue of RMB1,767,036 thousand, representing an increase of 8% from RMB1,642,113 thousand last year.

Revenue details for the year under review are as follows:

I. Revenue recorded from media resources management was RMB1,670,774 thousand, up 5% from RMB1,592,942 thousand last year. During the year under review, despite the slowdown in the economic growth in China as well as the continual decline in advertising spending, the Group maintained its leading market position in such mature business. There was a stable development of media resources management. While enhancing its market share in the tourism, conventions and business invitation client sectors, the Group offered regional and industry specific promotional initiatives for its media products and successfully attracted a number of small and medium clients with an optimisation in customer structure and quality as well as client volume. These efforts contributed to an increase in the sales of core advertising resources in terms of increases in minutes sold and average sales rate, resulting in a moderate growth in the revenue for the year.

II. Turnover recorded from integrated brand communication services was RMB1,206,902 thousand, a slight decrease of 2% from RMB1,232,114 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 RMB49,820 thousand, an increase of 27% over RMB39,276 thousand last year. The increase in revenue of this business over last year was mainly attributable to the increase in the Group's commission income received from various media for procurement over last year. The Group will persistently maintain the steady development of this business, enhance its professional service capabilities, develop new customer resources and strive to broaden the industry dimensions of our clients so as to further strengthen our position in the industry and make SinoMedia the leading integrated communication services provider through constructive development.

III. Revenue recorded from Internet media and content operations was RMB49,088 thousand in total, up 37% from RMB35,706 thousand last year. Revenue recorded from this business was primarily attributable to the revenue from creative production of commercial advertisements, revenue from programme production and operation, and revenue from the operation of Internet platforms. Among which, (1) revenue from creative production of commercial advertisements recorded a constant stable growth, with a steady increase in the contract value and the volume of contracts signed by our clients over last year; (2) revenue from programme production and operation was mainly the revenue recorded from the production of the Group's first original video programme "Scent of a Man", which contributed a new source of revenue for the Group; (3) revenue from the operation of Internet platforms was mainly the revenue from the three major Internet media platforms, namely lotour.com (樂途旅遊網), boosj.com (播視網) and wugu.com.cn (吾谷網), under the Group. During the year under review, the Group focused on the investment and operations of Internet media platforms. Revenue recorded by lotour.com (樂途旅遊網) and boosj.com (播視網) was formally consolidated into the Group's revenue from the core business since the fourth quarter in 2013. With years of cultivation, wugu.com.cn (吾谷網) has also started contributing revenue for the Group.

IV. Rental income was RMB34,509 thousand, which mainly represented the revenue from the lease of the original and new property and office premises of the Group.

In view of the moderate growth of the revenue from core business and the increase in gross profit margin over last year, with an appropriate control on the increase of cost and expenses, the profit attributable to equity shareholders of the Group for the year ended 31 December 2013 rose to RMB369,108 thousand, representing an year-on-year increase of 22% from RMB302,591 thousand last year.

## OPERATING EXPENSES

For the year ended 31 December 2013, the Group's operating expenses were RMB185,484 thousand in aggregate, representing a slightly year-on-year increase of RMB8,809 thousand, and accounted for 10.5% of the Group's revenue (year ended 31 December 2012: 10.8%). Operating expenses for the year were controlled properly and the ratio of expenses to revenue approximates that of last year.

The operating expenses include the following items:

I. Selling and marketing expenses amounted to RMB65,799 thousand, showing a decrease of RMB2,417 thousand from RMB68,216 thousand last year, and accounted for 3.7% of the Group's revenue (year ended 31 December 2012: 4.2%). The decrease in selling and marketing expenses was mainly due to the Group's plan on how to carry out its market development. We organised a number of brand-building and media promotion events in the first half of the year which extended the brand influence of the Group and promoted its products and services, successfully enhanced our brand recognition and broadened the industry dimensions of our clients, and the effects continued in the second half of the year. Accordingly, there was a reduction in activities and conferences such as marketing and negotiations with VIP customers of the Group in the second half of the year. Overall speaking, promotional and marketing expenses, conference expenses and entertainment expenses decreased by a total of approximately RMB4,984 thousand from last year.

II. General and administrative expenses amounted to RMB119,685 thousand, representing an increase of RMB11,226 thousand from RMB108,459 thousand last year, and accounted for 6.8% of the Group's revenue (year ended 31 December 2012: 6.6%). The increase in general and administrative expenses was mainly due to the fact that:

    (1) To meet the demand for a diversified strategic development of SinoMedia, the Group placed increased emphasis on attracting talent and strengthened the efforts on cultivating the existing personnel of new media. In addition, we also employed professional institutions to provide professional consulting services on the remuneration system of the Group as well as the establishment of leadership model. Accordingly, labour costs, including staff payroll, increased by approximately RMB11,362 thousand from last year;

(2) The Group consolidated its offices and acquired certain office premises at the end of last year. Depreciation and related tax charges for the new property were approximately RMB5,583 thousand in aggregate. In addition, business development of the Group led to an increase in office area, resulting in a corresponding increase in Internet hosting fees, property management fees and office expenses by a total of approximately RMB4,246 thousand;

(3) The Group conducted an appropriate assessment and analysis of the collectability of trade receivables and the business value of equity investments. During the year under review, allowance for doubtful debts on trade and other receivables decreased by approximately RMB3,176 thousand compared to last year. Equity investments after the business value assessment showed no evidence of further impairment. Provision for impairment on long-term investments decreased by approximately RMB9,380 thousand compared to last year. The two aforesaid items decreased by a total of approximately RMB12,556 thousand compared to last year.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

I. In December 2012, the Group entered into a framework agreement with an independent third party to acquire certain office premises located in the Tianjie Building, which is situated at 9 Guanghua Road, Chaoyang District, Beijing. Meanwhile, the Group terminated the acquisition of the property at 12 Dongdaqiao Road in the same district. During the year, the Group received a full refund of RMB230 million for the Dongdaqiao Road property project. Pursuant to the terms of the framework agreement, we have paid the second and third installments for the acquisition of the Tianjie Building, the intercepting fees for the project and relevant taxes in a total of approximately RMB225 million. As a self-owned property of the Group, Tianjie Building has been officially renamed as Golden Bridge Tianjie Building (金橋天階大廈). The settlement of the outstanding balance of the project and other follow-up matters had been effectively carried forward according to the plan.

II. In December 2012, the Group acquired Hangzhou Sanji Media Company Limited ("Hangzhou Sanji"), the operator of the video website boosj.com (播視網), and entered into an agreement with the shareholder of Hangzhou Sanji regarding the transfer of equity interest in Hangzhou Sanji and capital injection. The aggregated amount of consideration for the acquisition and capital injection amounted to RMB49.89 million. During the year ended 31 December 2013, the Group had paid a total of RMB35.739 million for this project according to those agreements. The Group currently owns approximately 75% of the equity interest in Hangzhou Sanji. In addition, the Group has completed the process of change of the certifications such as the "License for the Information Network Dissemination of Audio-Visual Programmes" (信息網絡傳播視聽節目許可證) during the year and has started fully engaging in the operation and management of boosj.com (播視網) in the second half of the year.

III. In July 2013, the Group entered into an acquisition agreement with Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng"), the operator of lotour.com (樂途旅遊網), and its shareholders regarding the transfer of equity interest in Lotour Huicheng and capital injection. The Group completed the acquisition of equity interest in Lotour Huicheng with an aggregate consideration of approximately RMB13.025 million. After the acquisition, the Group owns approximately 71% of the equity interest in Lotour Huicheng. During the year, the consideration of the acquisition had been fully paid. The Group has started fully engaging in the operation and management of lotour.com (樂途旅遊網) in the second half of the year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a healthy financial position and adequate liquidity. As at 31 December 2013, the Group's cash and bank balances amounted to RMB1,070,106 thousand (31 December 2012: RMB1,442,752 thousand), of which approximately 96% was denominated in Renminbi and the remaining 4% 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:

I. Net cash outflow from operating activities was RMB262,428 thousand (net cash inflow of RMB1,197,847 thousand for the year ended 31 December 2012). The outflow was mainly attributable to: (1) the gradual repayment to media suppliers of outstanding media agency costs for prior years, which led to a significant decrease in trade payables from RMB1,165,772 thousand at the end of last year to RMB294,084 thousand by the end of this year; (2) trade receivables was under effective control during the year. The collection of trade receivables within credit period was favourable, while we reinforced strict approval and management over delayed client payment for advertisements and increased our efforts on collecting long outstanding overdue receivables from clients, so as to maintain trade receivables at a relatively low level amidst the increase in revenue. As of the end of the year, trade receivables (excluding bills receivable and net of allowance for doubtful debts) was RMB53,820 thousand (31 December 2012: RMB86,451 thousand), accounting for 3.0% of revenue for the year as compared to 5.3% last year;

II. Net cash inflow from investing activities was RMB10,607 thousand (net cash outflow of RMB567,611 thousand for the year ended 31 December 2012). The inflow was mainly attributable to: (1) net cash outflow of approximately RMB7,636 thousand regarding the payment of the balance for the acquisition of Tianjie Building, renovation costs and the purchase of office equipment; (2) net cash outflow of approximately RMB3,797 thousand regarding the acquisition of equity investments; (3) net cash inflow of approximately RMB19,701 thousand regarding interest income on bank deposits;

III. Net cash outflow from financing activities was RMB120,866 thousand (year ended 31 December 2012: RMB101,390 thousand), which arose mainly from the payment of final and special dividends for 2012 of approximately RMB119,453 thousand in total.

As at 31 December 2013, the Group's total assets amounted to RMB2,515,312 thousand, which consisted of equity attributable to equity shareholders of the Company of RMB1,478,150 thousand and non-controlling interests of RMB27,216 thousand.

As at 31 December 2013, the Group's outstanding bank loans amounted to RMB5,000 thousand, which was arisen from the increase in demand of working capital under the business expansion of a subsidiary acquired by the Group.

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

## HUMAN RESOURCES

As at 31 December 2013, the Group had a total of about 630 employees, an increase of approximately 43% over the beginning of the year. The increase in the number of employees was mainly attributable to the completion of two investment projects during the second half of the year with its employees included in the Group, in which about 110 employees were from Internet media technology and product operations and about 70 employees were Internet media content editors. The Group developed and implemented the overall co-ordination within the Group, formulated human resources development and management proposals that were relatively independent to the subsidiaries, specifically engaged professional institutions to provide professional support to the aspects such as the establishment of remuneration system and leadership competency model of the Group. Meanwhile, the Group formulated leadership development implementation plans for the optimisation of the organisation and talent structure to meet the demand of talents under the diversified business development of the Group. In addition, we will provide employees with an incentive and remuneration policy that is competitive, and offer commissions and discretionary bonuses to our sales personnel and other employees in accordance to the Group's performance and the performance and experience of individual employees. We provide employees with benefits such as insurance and medical check-ups in order to maintain our competitiveness in the labour market. The Group offers various training courses and seminars for our employees, with a view to enhancing their knowledge and skills. 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 but remained unexercised as of the end of the year totalled 37,557,500 units.

## INDUSTRY AND GROUP OUTLOOK

2014 and 2015 will be the critical period for the Group to realise its strategic upgrade. The Group will increasingly put effort to comprehensively support the new businesses and maintain an optimistic attitude towards the overall optimisation development of its business structure in the coming two years.

In 2014, China's economic development will be "stable with slight decline", but optimistic in the long term. Pursuant to the forecast in the "Global Economic Prospects Report" issued by the World Bank in January 2014, in 2014, China's economic growth will be 7.7%. The data published by China Federation of Logistics and Purchasing and the Investigation Center for Service Industry of National Bureau of Statistics on 1 March 2014 showed that the China Manufacturing Purchasing Managers Index ("PMI") in February this year was 50.2%, 0.3 percentage point lower than the preceding month, showing a decrease for three consecutive months. Also, HSBC China Manufacturing PMI final value in February 2014 was 48.5%, continuously lower than the standard of 50%. Based on the above, the Group believes that the economy at the beginning of 2014 was barely stable. The specific measures to a comprehensive and in-depth reform proposed in the 18th Third Plenary Session of the Communist Party of China will be launched successively to stimulate people's confidence in the economic sustainability. Integrating the above variable factors, the Group will closely monitor the overall economic situation and respond in a prudent manner in the coming year. The Group will positively strive to coordinate the scale and pace of business development in order to seek for the best results for the Group's business.

From the viewpoint of the industry, one of the main trends influencing brand communication and marketing for the coming two to three years will be "multi-screen integration". Accordingly, the Group will adhere to the spirit of pioneering, continue to allocate various resources such as human resources and capital to, and nurture the constructive development of its Internet media platforms. Lotour.com will strive to achieve the target of significant growth in both active users and revenue based on the tourist destination marketing system and the Group's existing travel-related brand clients. The ultimate goal for Lotour.com is to become the most appealing tourist destination Internet media in the future, forming the core competitiveness which differentiates it from other online travel platforms. With the commencement of the double operation centres, Boosj.com will be able to integrate and utilise the quality content resources and connect the brands' communication demand with the video media swiftly. Wugu.com.cn will further target at specific target audience with innovative and pragmatic products, as a result develop this Internet media into a platform which assembles and influences the elite group in agriculture.

In pace with the progressively established technologies, we believe that, market competition among Internet media platforms has successively transformed from technology-driven to product-driven and service-driven. At this stage, our accumulated professional experience and profound understanding of the brand communication in various industries in China, integrated with the fundamental experience in Internet media platform projects in recent years, will assist the Group to establish a clear competitive edge in the aspects of development and operation of Internet media platforms as well as the business of integrated content operation. The demand for brand communication and marketing in the industries with promising prospects such as travel industry and agriculture will grow rapidly in the mid- to long-term and stimulate the flourishing growth of the Group's relevant platforms.

On the other hand, we note that, along with the emergence of social media and self-media, content marketing has been increasingly prominent in terms of maximising the communication value for the brands, which was highly emphasised by the brand advertisers. In response to this trend with the Group's existing advantages in creative video production, the Group will emphasise the research and development as well as operation of video programmes in the coming one to two years. The Group will strive to air one to two programmes about lifestyle and entertainment on the top satellite TV channels and leading Internet video media platform simultaneously in 2014 to realise the effective exploration in marketing models.

The focus point is that TV advertising and brand communication business is still the Group's foundation for strategic upgrade. In 2014, while the Group will put effort into stable business development, its marketing strategy will be upgraded. It will first focus on the CCTV media communication and then strive to satisfy the demand for satellite TV as well as inter-screen communication of clients from various industries, progressively enhancing the Group's capability of integrated brand marketing.

Focusing on the above business developments and enhancements, the Group will also further optimise the Group's organisational structure as well as the management level, to ensure the quantity, quality and structure of development along with the constantly fast pace for development. We believe that, SinoMedia, which persists and spreads the spirit of dream and innovation while positively embraces the inter-screen era, will continuously bring substantial profits to the shareholders.

# www.lotour.com: “aggregates” the beauty of travel

www.lotour.com makes travel easier by aggregating fragmented travel information. On this website, memories are embedded into the brand interactive marketing system for tourist destinations to make the images of these tourist destinations more three-dimensional, fuller and vivid. This marketing system delivers a comprehensive solution that combines content marketing and word-of-mouth marketing with big data marketing specifically designed for online marketing for clients.

# Directors and Senior Management

## MR. CHEN XIN (陳新)

aged 47, has been our executive director since November 2006. He was appointed as our Chairman in December 2007. He is primarily responsible for the strategic development, financial planning and overall management of the Group. Mr. Chen has over 25 years of experience in the media industry. He was previously a reporter for the overseas service department and the Australian branch of Xinhua News Agency. He was also a director of the economic news office, central news office and news distribution office of the overseas service department of Xinhua News Agency from 1988 to 2004. He is also the standing vice-president of the Magazine Publishing House, which publishes the periodical "China Radio Film and Television" (中國廣播影視), under the supervision of the State Administration of Press, Publication, Radio, Film and Television. Mr. Chen received his Bachelor of Science degree in Biology and Genetics from Fudan University in 1986, completed a Master's course in International News from Fudan University in 1988 and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Mr. Chen is the husband of Ms. Liu, our Chief Executive Officer and an executive director.

## MS. LIU JINLAN (劉矜蘭)

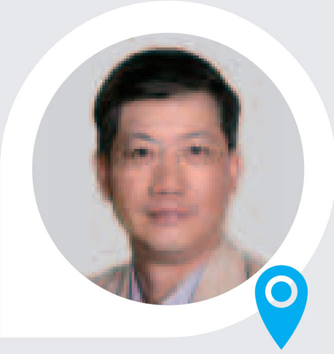
aged 45, has been our Chief Executive Officer since she founded the Group in 1999. She has served as a director since 24 October 2001. She is primarily responsible for the overall management of business operation and customer development. Ms. Liu previously worked at CCTV as a news broadcaster, a reporter and then a director from 1995 to 1998.

Since she founded our Group, she was instrumental in designing and executing advertising campaigns which have influenced the TV media industry, for which she was jointly recognized as one of the "Top Ten Female Advertising Professionals in China" (中國十大最具風采女性廣告人) by CCTV, Advertising School of the Communication University of China (中國傳媒大學廣告學院), "Advertising Guidance" (廣告導報) and "Business" magazine (經營者雜誌社) in 2006. She was elected chairman of The Association of Accredited Advertising Agencies of China (中國4A協會) in January 2008, and jointly recognised as one of the "2008 Top Ten People in Media Advertising in China" (2008中國十大傳媒廣告人物) by School of Journalism and Communication of Renmin University of China (中國人民大學新聞學院), Journalism School of Fudan University (復旦大學新聞學院) and other institutions in December 2008. In 2009, in a celebration marking the 60th founding of New China, she was jointly recognised as the "2009 China's Advertising Industry's Outstanding Woman" (2009年度中國廣告行業傑出女性) by China Advertising Association of Commerce (中國商務廣告協會), Beijing Advertising Association (北京廣告協會), "21st Century Advertising Magazine" (21世紀廣告雙週刊), and the organizing committee of the 21st AD International Summit (21世紀廣告國際峰會組委會). She was also elected a vice-chairman of the first Media Committee of China Association of National Advertisers (中國廣告主協會) in December 2009. She was jointly recognized for two successive years as one of the 2009/2010 and 2010/2011 "Top Ten Influential Female Advertising Professionals in China" (中國最具影響力十大女性廣告人) by "Advertising Guidance" magazine (廣告導報雜誌社) and MBA School of the Communication University of China (中國傳媒大學MBA學院) in September 2010 and April 2011 respectively. She was elected as the deputy head of Advertising Artistic Committee of China Television Artists Association (中國電視藝術家協會廣告藝術委員會) in March 2012. She was elected as the vice president of Beijing Chaoyang District Association of Women Enterpreneurs (北京市朝陽區女企業家協會) in July 2012. She became the Beijing member of China National Democratic Construction Association (中國民主建國會) in August 2012, and served as the committee member of Beijing Committee of China National Democratic Construction Association (中國民主建國會北京市委員會) since November 2012. She also served as a supervisor of MBA of Year 2012 of Cheung Kong Graduate School of Business in November 2012. She was recognized as "Man of the Year" (年度人物獎) by The Association of Accredited Advertising Agencies of China in October 2013.

Ms. Liu graduated from the Beijing Broadcast Institute with a certificate in Linguistics, and received an EMBA degree from the Cheung Kong Graduate School of Business in 2006. Ms. Liu is the wife of Mr. Chen, our Chairman and an executive director.

## MR. LI ZONGZHOU (李宗洲)

aged 46, joined the Group in 2000 as financial supervisor and had been our General Accountant from 2007 to 2008. He was then a Vice-president and is currently our Chief Internal Control Officer. He was appointed as a director in November 2006. Mr. Li is responsible for financial audit, risk management, legal affairs and financial contract management of the Group. He was previously the chief accountant and head of the financial department of Dunhua Forest Bureau from 1987 to 2000. Mr. Li received his Bachelor of Arts degree in Economics from Renmin University of China in 1990. Mr. Li is the husband of Ms. Liu's niece.



## MR. HE HUI DAVID (何暉)

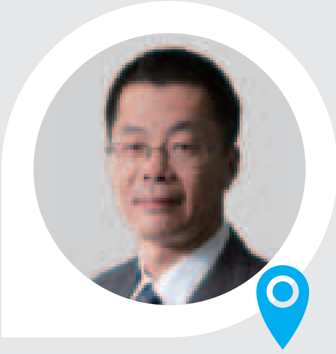
aged 53, has been our non-executive director since August 2011. He is currently the Operating Partner of Bain Capital Asia, LLC. He has more than 20 years of experience in engineering, sales and marketing and general business management in the United States of America and Asia. Before joining Bain Capital Asia, LLC in 2007, Mr. He had spent over 13 years with General Electric (GE) in various capacities. Mr. He received his Ph.D. degree in Physics from the University of Michigan in Ann Arbor, the United States of America. He obtained a Master Degree in Business Administration from Kellogg School of Business at the Northwestern University and was a graduate of the Peking University in the PRC.

## MR. LIAN YUMING (連玉明)

aged 50, was appointed as our independent non-executive director in May 2011. Mr. Lian graduated from the Shanxi University (山西大學) in 1987 with a bachelor of laws degree. He currently serves as the President of the International Institute for Urban Development, Beijing (北京國際城市發展研究院), the President of Capital Association for Scientific Decision-Making (首都科學決策研究會), the Chairman of the International Cities Forum Foundation (國際城市論壇基金會) and a committee member of the Expert Consultative Committee of the Beijing Municipal Government (北京市政府專家諮詢委員會). He has a number of publications including the Report on Competitiveness of Chinese Cities (中國城市綜合競爭力報告), the Report on the Living Quality of Chinese Cities (中國城市生活質量報告), the Report on the Brand Value of Chinese Cities (中國城市品牌價值報告), the Report on the Core Problems of the 11th Five-Year Plan of Chinese Cities (中國城市「十一五」核心問題研究報告), the Report on the Core Problems of the 12th Five-Year Plan of Chinese Cities (中國城市「十二五」核心問題研究報告) and the Report on Innovations of China's Social Administration (中國社會管理創新報告). Mr. Lian has received various awards from government bodies and communities in recognition of his achievement and contribution to society, including the Beijing Municipal Committee of the Chinese People's Political Consultative Conference (政協北京市委員會).

## MR. DING JUNJIE (丁俊杰)

aged 50, has been our independent non-executive director since May 2008. Mr. Ding has over 20 years of experience in the media and advertisement industry. He is a professor and a supervisor of Ph.D. candidates of the Communication University of China (中國傳媒大學) (formerly known as the Beijing Broadcasting Institute (北京廣播學院)) and served as the deputy head of the Advertising Teaching and Research Office, the deputy head of the Advertising Department, and the vice dean and the dean respectively of the News and Communication School (新聞傳播學院), and vice principal of the Communication University of China. Currently, he serves as the deputy head of the academic committee of the Communication University of China, a director of the Research Base of Capital Media Economics (首都傳媒經濟研究基地) and the Asia Media Research Centre (亞洲傳媒研究中心) respectively, and a vice president of the China Advertising Association (中國廣告協會), the Chinese Association for History of Journalism and Mass Communication (中國新聞史學會), and the China Advertising Association of Commerce (中國商務廣告協會) respectively. Mr. Ding is also a chief editor of Media Magazine (媒介雜誌), International Advertising (國際廣告) and the Annual Book of Chinese Advertising Works (中國廣告作品年鑒) respectively. Mr. Ding received a Bachelor of Arts degree in Journalism in 1987 and a Ph.D. degree in Journalism in 2003, both from the Beijing Broadcasting Institute.



## MR. QI DAQING (齊大慶)

aged 49, has been our independent non-executive director since May 2008. He taught as an assistant professor and then an associate professor in accounting at the Chinese University of Hong Kong between 1996 and 2002. Mr. Qi joined the Cheung Kong Graduate School of Business in July 2002 where he currently serves as a professor of Accounting. He serves as an independent director and a member of audit committee of Sohu.com Ltd., and Honghua Group Limited respectively, and serves as an independent director of China Vanke Co., Ltd., AutoNavi Holdings Limited and Bona Film Group Limited respectively. Mr. Qi obtained a Bachelor of Science degree in biological physics in 1985 and a Bachelor of Arts degree in international mass communication in 1987, both from Fudan University in Shanghai. He received an MBA degree from the University of Hawaii at Manoa in 1992 and then a Ph.D. degree in accounting from the Michigan State University in 1996.

Mr. Qi currently holds directorships in the following publicly listed companies: Sohu.com Ltd. (NASDAQ), Honghua Group Limited (Hong Kong Stock Exchange), China Vanke Co., Ltd. (Shenzhen Stock Exchange), AutoNavi Holdings Limited (NASDAQ) and Bona Film Group Limited (NASDAQ).

Through his roles as an independent director in various companies and as a result of his overall professional experience, Mr. Qi has obtained expertise in accounting and financial management. In addition to lectures and presentations in accounting issues at various professional settings, he has authored research papers on accounting, financial reporting, capital market and other related topics that are published in leading academic journals. Mr. Qi is experienced in reviewing and analysing financial statements of public companies.

## MS. WANG XIN (王昕)

aged 42, has been appointed as our independent non-executive director in May 2012. Ms. Wang has been the joint president and chief operation officer of Sohu.com Ltd. since 2009. She joined Sohu.com Ltd. in 1999. Prior to joining Sohu.com Ltd., Ms. Wang accumulated extensive experience in the field of sales and marketing. She worked in various companies, including Motorola (China) Company Limited where she served as an officer of the Marketing and Government Relations Department from 1996 to 1997. Ms. Wang graduated from Beijing Technology and Business University in China in 1992 with a Bachelor of Arts. She obtained a diploma in applied linguistics at the Southeast Asian Ministers of Education Organization Regional Language Centre, Singapore in 1996 and completed the China CEO program jointly offered by Cheung Kong Graduate School of Business, Columbia Business School, IMD and London Business School in 2011.

## MS. JIN LANXIANG (金蘭香)

aged 35, had been our Senior Vice President since April 2008, and was appointed as the Group's Chief Marketing Officer in 2011, in charge of the advertising sales of programs of CCTV to which the Group has exclusive underwriting rights. She joined the Group in 2001 and was the General Manager of our City Branding Centre in 2006 and 2007. Ms. Jin has worked in media industry for more than ten years and has extensive media sales experience and systematic media sales idea, providing a strong and solid customer base for the Group. Ms. Jin has successfully provided services to over 100 city and travel-related clients and participated in the provision of communication services for more than 200 large and medium-size enterprises. Ms. Jin majored in finance at Beijing Construction University from 1996 to 1999.

## MR. CHEN QING (陳清)

aged 36, was appointed as the Vice President of the Group in 2012, and is responsible for the brand building, marketing and promotion, media strategy, product design, the use and management of media resources, and creative production of advertisement and content of the Group. Since joining the Group in June 2005, Mr. Chen served as the financial manager, vice financial controller, Board secretary, general manager of marketing and media strategy, and general manager of Beijing Taihe Ruishi Advertising Company Limited, a wholly-owned subsidiary of the Group. He is extensively experienced both theoretically and practically in the areas of financial management, marketing and sales, media studies and strategy, and media operations. Mr. Chen once worked at Lianxun Securities (聯訊證券) of SEEC (聯辦集團), responsible for marketing and sales. Mr. Chen graduated from the University of International Business and Economics and received his Bachelor degree in Economics.

## MS. SHEN HONGYAN (沈鴻雁)

aged 43, has been our Chief Media Officer since August 2011, and is responsible for the relations and execution management of media resources, and the management of our CCTV bidding business and integrated brand communication services business. Ms. Shen has rich experience in media and market research, media advertisement operation and media investment management. She served as the Managing Director of Maxus under GroupM from 2008 to 2011 and the Account Director of the Advertising Department of CCTV from 2001 to 2008, before which, Ms. Shen held an important post in research of CTR Market Research Co. Ltd. Ms. Shen obtained a bachelor's degree from Capital Normal University in 1992 and an EMBA degree from China Europe International Business School in 2008.

## MR. LIU XUMING (劉旭明)

aged 46, was our Senior Vice President from 2005 to 2010, and was appointed as our Chief Operation Officer in 2011. Mr. Liu also has served as Chairman and President of Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng") since August 2013. Mr. Liu is in charge of the management of the Group's operation planning and the overall operation management of Lotour Huicheng. He joined the Company in November 1999. Mr. Liu has over 10 years of experience in city branding management, media operation and management, advertisement creative design and market development, and has a strong understanding of the media development and positioning, creative design and media operation. He was the president of Dunhua Cable TV Station in Jilin Province from 1997 to 1999. Mr. Liu served as the Chairman of Supervision and Examination for China Public Service Advertisement Grand Prix in 2010, chaired the judges for two successive years for China 4A Gold Seal Award Media Category from 2012 and also served as a judge for CCTV National Competition on TV Public Service Advertising in 2013. Mr. Liu received an MBA degree from California University of Management and Sciences in 2003.

## MR. HUANG PING (黃平)

aged 49, has been our Senior Vice President since December 2011, and is responsible for the strategic development of media contents and channel platforms. Mr. Huang has extensive media-related work experience. He worked for MTV as its Senior Vice President and General Manager for Greater China from 2009 to 2011. From 2006 to 2009, he was Vice President in STAR China Co., Ltd. Before that, Mr. Huang was Associate Director for the Satellite Channel under Shanghai Media Group and has accumulated extensive experience in programme production and distribution. Mr. Huang obtained a bachelor's degree from the Journalism Department of Fudan University in 1986 and finished his postgraduate study in International News in Fudan University in 1988.

## MS. ZHANG WEIWEI (張薇薇)

aged 31, has been our Vice President since October 2013, responsible for the market development of our agricultural exclusive media resources and administration management of the Group. She joined the Group in 2005, and was the Vice General Manager of Corporate Brand Marketing Centre of the Group in 2010 and 2011. Then, she has been General Manger of Beijing Golden Bridge Senmeng Media Advertising Co., Ltd. ("Golden Bridge Senmeng"), a subsidiary of the Group since October 2011, responsible for overall management of business operation of Golden Bridge Senmeng. Ms. Zhang has rich experience of more than 8 years in TV media marketing and team management. She has made considerable contribution to Golden Bridge Senmeng, continuously improved operating system of management, expanded customer base with brands and optimised media resources, etc. Ms. Zhang graduated from Xi'an International University (西安外事學院) in 2004, majored in Economic Management.

## MR. CHAN OI NIN DEREK (陳凱年)

aged 46, was appointed as our Qualified Accountant and Company Secretary in May 2008, and was appointed as our Chief Financial Officer in June 2010. Mr. Chan has over 15 years of experience in accounting and auditing and was the financial controller and qualified accountant of TCL Multimedia Technology Holdings Limited before joining us. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan received a Bachelor of Science degree from the Chinese University of Hong Kong in 1989 and an MBA degree from Monash University in 1995.

## MS. ZOU JUAN (鄒涓)

aged 40, joined the Group as the Vice President since July 2012, and takes charge of the organisational and strategic human resources management of the Group. Ms. Zou has acquired 16 years' professional experience from multi-national corporations and specializes in designing and implementing effective talent management, organization change and development plans based on corporate characteristics and strategies. She established or developed strategic human resources management systems for various companies and successfully drove the realization of corporate strategies and development of organization, talents and cultures under the diversified commercial environment. Ms. Zou served as the Director of Human Resources and Culture unit of Ericsson Chongqing Company, China Human Resources Head of transportation business for General Electric, Greater China Human Resources Director for Avenue Capital Group. Ms. Zou received her Bachelor of Arts degree in English Literature from Sichuan International Studies University in 1995 and was awarded a Master degree in Human Resources Management from the University of Manchester in the U.K. in 2003.

## MS. ZHOU JUNHUA (周俊華)

aged 36, has been our Vice President since October 2013, responsible for the overall management of city tourism brand communication business of the Group. She joined the Group in August 2002, and had been General Manager of City Brand Marketing Centre since 2011. Ms. Zhou has worked in media industry for more than 10 years, and has her own style in the field of city tourism brand communication. She has successfully developed and provided services for more than 500 customers, effectively ensured the Group's leading position in this field. Through 8 years' professional team management, Ms. Zhou has initiated unique and systematic media marketing management ideas and methods which have been applied and promoted successfully. Ms. Zhou graduated from Shashi University (沙市大學) in 1999, majored in Finance.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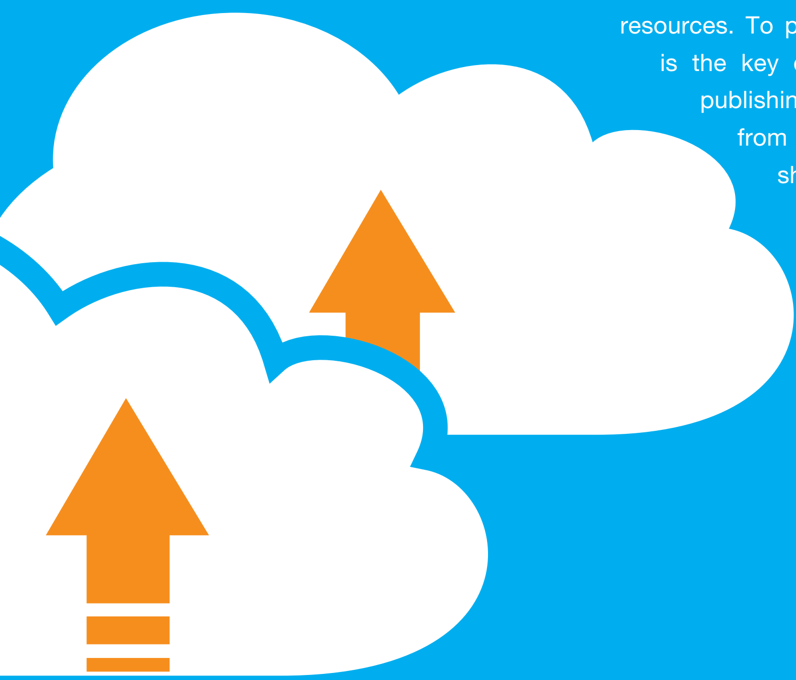
# www.boosj.com: new videos, new life

www.boosj.com cares about social events that interest netizens, and features short videos of people's livelihood as the main content resources. To provide interactive service on livelihood information is the key direction for the website. Through the integrated publishing of the programmes that use content sources from different channels, www.boosj.com interacts and shares with urban Internet users, enabling them to become publishers of information about their cities and serving as a mobile TV station for urban netizens.



# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining and upholding a high standard of corporate governance practices to protect the interests of shareholders and the Company as a whole. The Company has made continuous efforts to constantly review and improve its corporate governance system in light of changes in regulations and developments in best practices and to ensure that the Group is under the leadership of an effective board of directors (the "Board") to maximise return for shareholders.

The Company has adopted the code provisions ("Code Provisions") of the latest Corporate Governance Code and Corporate Governance Report (hereinafter referred to as the "Code") 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") as the guidelines for corporate governance of the Company. During the year ended 31 December 2013, the Company has fully complied with all Code Provisions and where applicable, the recommended best practices prescribed in the Code, except for the following deviations:

### 1. Code Provision A.5.2

*Under Code Provision A.5.2, the nomination committee should review the structure, size and composition (including the skills, knowledge and experience) of the board at least annually and make recommendations on any proposed changes to the board to complement the issuer's corporate strategy.*

During the year under review, no meeting of the Nomination Committee was held. However, on the Board meeting of 22 August 2013, the Board had reviewed the structure, size and composition of the Board and the policy for the nomination of Directors and the relevant nomination procedures and criteria, adopted the terms of reference of the Nomination Committee revised in view of the requirement of a board diversity policy, and approved the adoption of the Board Diversity Policy of the Company.

### 2. 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. Ding Junjie, Mr. Qi Daqing, and Mr. Lian Yuming, the independent non-executive directors of the Company, they were not able to attend the annual general meeting of the Company held on 23 May 2013.

## 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 (the "Directors") confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2013.

## THE BOARD OF DIRECTORS

### 1. Composition of the Board

During the year ended 31 December 2013, the Board comprised the following directors:

| EXECUTIVE DIRECTORS: | NON-EXECUTIVE DIRECTORS: | INDEPENDENT NON-EXECUTIVE DIRECTORS: |
|---|---|---|
| Mr. Chen Xin *(Chairman)* | Mr. Zhu Jia | Mr. Ding Junjie |
| Ms. Liu Jinlan | *(resigned on 20 May 2013)* | Mr. Qi Daqing |
| *(Chief Executive Officer)* | Mr. He Hui David | Mr. Lian Yuming |
| Mr. Li Zongzhou | | Ms. Wang Xin |

The Directors possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The biographical details of the Directors and the relationship between members of the Board are set out in the "Directors and Senior Management" section on pages 36 to 47 of this annual report.

Save and except that Mr. Chen Xin is the spouse of Ms. Liu Jinlan and that Mr. Li Zongzhou is the husband of Ms. Liu Jinlan's niece, there are no relationships (including financial, business, family or other material or relevant relationships) among members of the Board.

### 2. Chairman and Chief Executive Officer

The positions of the Chairman of the Board and the Chief Executive Officer are held by separate individuals to ensure that a segregation of duties and a balance of power and authority are achieved. The Chairman is responsible for overseeing all Board functions in accordance with good corporate governance practice, developing strategies and instilling corporate culture. The Chief Executive Officer is responsible for formulating detailed plans for implementation of the objectives set by the Board and mainly focuses on the day-to-day management and operation of the Group's business. Currently, the Chairman of the Board is Mr. Chen Xin and the Chief Executive Officer of the Company is Ms. Liu Jinlan.

## 3. Non-executive Directors

The non-executive Directors, more than half of which are independent, play an important role in the Board. They possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. Accounting for the majority of Board members, they provide adequate checks and balances for safeguarding the interests of the shareholders and the Group as a whole.

The non-executive Directors of the Company are appointed for a term of three years and are subject to retirement by rotation at the Company's annual general meetings at least once every three years in accordance with the Articles of Association of the Company.

The Company has received annual written confirmation from each independent non-executive Directors of his or her independence to the Company pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company also has at all times met Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of a sufficient number of independent non-executive Directors and the appointment of an independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

## 4. Division of Responsibilities of the Board and the Management of the Company

The Board steers the Group's business direction. It is responsible for formulating the Group's long-term strategies, setting business objectives, monitoring the management's performance, and ensuring strict compliance with relevant statutory requirements and effective implementation of risk management measures on a regular basis.

The management under the leadership of the Chief Executive Officer is responsible for the day-to-day management of the Group's businesses and implementation of the strategy and direction set by the Board.

To ensure the operational efficiency and specific issues are being handled by relevant expertise, the Board delegates certain powers and authorities from time to time to the management.

The types of decisions which are reserved for the approval by the Board (or the Board committees) include those relating to:

- corporate and capital structure;
- corporate strategy;
- significant policies affecting the Company as a whole;
- business plan, budgets and public announcements;
- delegation to the Chairman, and delegation to and by Board Committees;
- key financial matters;
- appointment, removal or reappointment of Board members, senior management and auditors;
- remuneration of directors and senior management;
- communication with key stakeholders, including shareholders and regulatory bodies; and corporate governance duties

The types of decisions that the Board has delegated to the management include:

- approving the extension of the Group's activities not in a material manner into a new geographic location or a new business;
- assessing and monitoring the performance of all business units and ensuring that all necessary corrective actions have been taken;
- approving expenses up to a certain limit;
- approving the entering into of any connected transactions not requiring disclosure under the Listing Rules;
- approving the nomination and appointment of personnels other than the member of the Board, senior management and auditors;
- approving press release concerning matters decided by the Board;
- approving any matters related to routine matters or day-to-day operation of the Group (including the entering into of any transaction not requiring disclosure under the Listing Rules and cessation of non-material part of the Group's business); and
- carrying out any other duties as the Board may delegate from time to time.

## 5. Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate in person or through electronic means of communication. Four Board meetings and an annual general meeting were held during the year. Attendances at the Board meetings and the annual general meeting of each Director are set out as follows:

| | NUMBER OF MEETINGS HELD AND ATTENDED | |
|---|---|---|
| **DIRECTORS** | **Board Meetings** | **Annual General Meeting** |
| *Executive Directors:* | | |
| Chen Xin | 4/4 | 1/1 |
| Liu Jinlan | 4/4 | 1/1 |
| Li Zongzhou | 4/4 | 1/1 |
| *Non-executive Directors:* | | |
| Zhu Jia (resigned on 20 May 2013) | 1/3 | N/A |
| He Hui David | 3/4 | 1/1 |
| *Independent non-executive Directors:* | | |
| Ding Junjie | 3/4 | 0/1 |
| Qi Daqing | 3/4 | 0/1 |
| Lian Yuming | 1/4 | 0/1 |
| Wang Xin | 1/4 | 1/1 |

Notices of Board meetings are given to all Directors at least 14 days prior to the date of each regular Board meeting. Meeting agendas and any accompanying board papers are generally sent to all Directors at least 3 days before the date of meetings. All Directors are encouraged to propose new items as any other business for discussion at the meetings. The Board and each Director have separate access to the Company's senior management for information at all times and may seek independent professional advice at the Company's expenses, if necessary. Draft and final versions of the minutes of the meetings, drafted in sufficient details by the company secretary, were circulated to the Directors for their comment and record respectively. Originals of such minutes, kept by the Company Secretary, are open for inspection by all Directors at any reasonable time. Procedures for convening meetings of the Board and Board committees and for preparing minutes of the meetings have complied with the requirements of the Articles of Association of the Company and applicable laws, rules and regulations.

## 6. Appointment, Re-election and Removal of Directors

The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination or election or re-election of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

Each of the Directors has entered into a service contract with the Company for a specific term and is subject to retirement by rotation at annual general meetings at least once every three years. In accordance with the Articles of Association of the Company, three Directors shall retire at the next following annual general meeting of the Company and shall be eligible for re-election. The names and biographical details who will offer themselves for re-election at the forthcoming annual general meeting are set out in the circular to shareholders to assist shareholders in making an informed decision on the elections.

Having been made specific enquiry, the Directors confirmed that the terms of their respective service contracts had been complied with and they had no interest in any company or business which competed either directly or indirectly with the Group's business.

## 7. Remuneration of Directors

The executive Directors and the non-executive Directors did not receive any allowance for their service provided as Directors throughout the year ended 31 December 2013. Executive Directors who are also the Company's staff are entitled to receive salaries according to their respective positions taken on a full-time basis in the Company.

Three out of the four independent non-executive Directors were remunerated at RMB144 thousand and the remaining was remunerated at RMB160 thousand for their service provided for the year under review.

Information relating to the remuneration of each Director for the year under review is set out in note 7 to the financial statements on page 120 of this annual report.

## 8. Training of Directors

Pursuant to Code Provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the year under review, all Directors have participated in continuous professional development by reading relevant materials on the topics related to corporate governance and regulations.

## 9. Board Committees

The Board has established four Board committees with specific terms of reference, namely the Audit Committee, the Remuneration Committee, the Compliance Committee and the Nomination Committee. On 22 August 2013, the terms of reference of Nomination Committee were revised pursuant to the new requirements of the Code. All terms of reference of the Board committees are on terms no less exacting than those set out in the Code.

### Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process and internal controls and review of the Company's financial statements.

The Audit Committee met three times during the year under review. Currently, the committee comprises three members, all of whom are independent non-executive Directors. The composition of the committee and the attendances at the meetings by each committee member are set out as follows:

| COMMITTEE MEMBERS | NUMBER OF MEETINGS HELD AND ATTENDED |
|---|---|
| Qi Daqing (Chairman) | 3/3 |
| Ding Junjie | 3/3 |
| He Hui David (resigned on 20 May 2013) | 1/1 |
| Lian Yuming (appointed on 20 May 2013) | 1/2 |

At the meetings, the committee:

- reviewed with the management and the external auditor the effectiveness of audit process and the accounting principles and practices adopted by the Group, and the accuracy and fairness of 2012 annual report and 2013 interim report;

- reviewed with the management the Listing Rules compliance and the internal control effectiveness of the Group; and

- reviewed the terms of appointment of external auditors, and ensured the continuing independence of external auditors and the effectiveness of their audit process adopted.

## Remuneration Committee

The Remuneration Committee was established to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, including benefits in kind, pension rights and compensation payments inclusive of any compensation payable for loss or termination of their office or appointment, and to make recommendations to the Board on the remuneration of non-executive Directors. It comprises Mr. Ding Junjie, the Chairman of the committee, Mr. Chen Xin and Mr. Lian Yuming.

During the year under review, the Remuneration Committee did not hold any meeting. However, the Board considered and reviewed the policy for the remuneration of executive Directors, assessed the performance of Directors and decided the remuneration package of each Director and senior management in the Board meeting held on 19 March 2013. Despite being present in the said Board meeting, none of the Directors decided or were involved in deciding his/her own remuneration.

## Compliance Committee

The Compliance Committee was established to oversee the Group's compliance with regulatory requirements and make recommendations to the Board on improvement of corporate governance of the Group.

Two meetings were held during the year. The composition of the committee and the attendances at the meetings by each committee member are set out as follows:

| COMMITTEE MEMBERS | NUMBER OF MEETINGS HELD AND ATTENDED |
|---|---|
| Li Zongzhou *(Chairman)* | 2/2 |
| Chan Oi Nin Derek | 2/2 |

At the meetings, the committee:

- discussed strategies for tax planning and reviewed corporate information issued by the Group to ensure compliance in every respect with the Listing Rules;
- checked transactions entered into by the Group to ensure compliance with the relevant laws and regulations applicable to the Group;
- reviewed and monitored the training and the continuous professional developments of the Directors and senior management, and the code of conduct applicable to Directors and employees;
- discussed the recent amendments to the Hong Kong Companies Ordinance relating to corporate governance; and
- reviewed the policy for the corporate governance of the Company.

### Nomination Committee

The Nomination Committee comprises Mr. Chen Xin as the chairman of the committee, and Mr. Ding Junjie and Mr. Lian Yuming as committee members. It is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination or election or re-election of Directors, and monitoring the appointment and succession planning of Directors.

During the year under review, no meeting of the Nomination Committee was held. However, in a Board meeting held on 22 August 2013, the Board had reviewed the structure, size and composition of the Board and the policy for the nomination of Directors and the relevant nomination procedures and criteria, adopted the terms of reference of the Nomination Committee revised in light of the amendments of Appendix 14 to the Listing Rules. During the said Board meeting, the Board also approved the adoption of the Company's Board Diversity Policy to ensure diversity of the Board.

As the Company's strategic objectives, it regarded increasing diversity at the Board level as an essential element to achieve and attain a sustainable and balanced development of the Company. Accordingly, when determining the Board's composition, it considered Board diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Company's Board Diversity Policy, having due regard to the own business models and specific needs of the Company, sets out that all Board appointments will be based on meritocracy, and candidates will be assessed against such objective criteria as academic strength, experience in the relevant industry and so on. The Nomination Committee would apply the Board Diversity Policy in any nomination of Directors in the future.

### 10. General

The Company has arranged directors' and officers' liability insurance for all Directors and senior officers against legal liability arising from their performance of duties. The insurance coverage is reviewed on an annual basis.

## FINANCIAL REPORTING

### 1. Financial Reporting

Management of the Company provides explanation and information to the Board to facilitate an informed assessment of financial statements and other information put before the Board for approval. The Board acknowledges its responsibility in the preparation of financial statements to give a true and fair view of the Company's state of affairs. In the preparation of financial statements, the International Financial Reporting Standards have been adopted and appropriate accounting policies have been consistently used and applied.

The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board continues to prepariethe financial statements on a going concern basis.

The reporting responsibilities of the Group's external auditors, KPMG, are set out in the Independent Auditor's Report on page 85 of this annual report.

## 2. External Auditors

Management performs a review of remuneration to external auditors on an annual basis. The fees for audit services have been reviewed by the Audit Committee, and the fees for non-audit services, if any, are approved by management.

## 3. Auditors' Remuneration

The total fee charged by the auditors generally depends on the scope and volume of the auditors' work. During the year, RMB3,200 thousand was charged by the Group's external auditors for annual audit services and the auditors also provided professional non-audit services for the Group at a fee of RMB300 thousand in total in relation to the preparation of a circular of the Company dated 21 January 2013 in respect of a major transaction.

# INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control system in the Group. During the year, the Board had conducted an annual review of the effectiveness of the internal control system of the Company and its subsidiaries, including financial, operational and compliance controls and risk management functions. Proper controls are in place, in order to record the accounting and management information in a complete, accurate and timely manner. Regular reviews and audits are carried out to ensure that the preparation of financial statements in accordance with the Group's accounting policies and applicable laws, rules and regulations, thereby providing reasonable assurance regarding effective operation of the Group's business.

The Group has established a clear organisational structure, including the delegation of appropriate responsibilities from the Board to the board committees, members of senior management and the heads of operating divisions.

An internal audit department was established to review major operational and financial systems of the Group on a continuing basis and it aims to cover all significant functions within the Group on a rotational basis. The scope of the internal audit department's review and the audit programmes have been approved by the Audit Committee. The department reports directly to the Audit Committee and the Chairman of the Board of the Company, and submits regular reports for their review in accordance with the approved programmes. The department submits a detailed report at least once a year to the Board for their review and monitors the effectiveness of the system of internal control of the Group.

External auditors will also report on weaknesses in the Group's internal control and accounting procedures which have come to their attention during the course of audit.

## COMPANY SECRETARY

The company secretary, Mr. Chan Oi Nin Derek, is responsible for facilitating the Board process, as well as communications among the Board members, the shareholders and the management. Mr. Chan's biography is set out in the "Directors and Senior Management" section on page 46. During the year under review, Mr. Chan has undertaken no less than 15 hours of relevant professional training by attending seminars to update his knowledge and skills in compliance with Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company has set up and maintained various channels of communication with its shareholders and the public to ensure that they are kept abreast of the Company's latest news and development. Information about the Company's financial results, corporate details and major events are disseminated through publication of announcements, circulars, interim and annual reports and press release. All published information is promptly uploaded to the Company's website at www.sinomedia.com.hk, for public access.

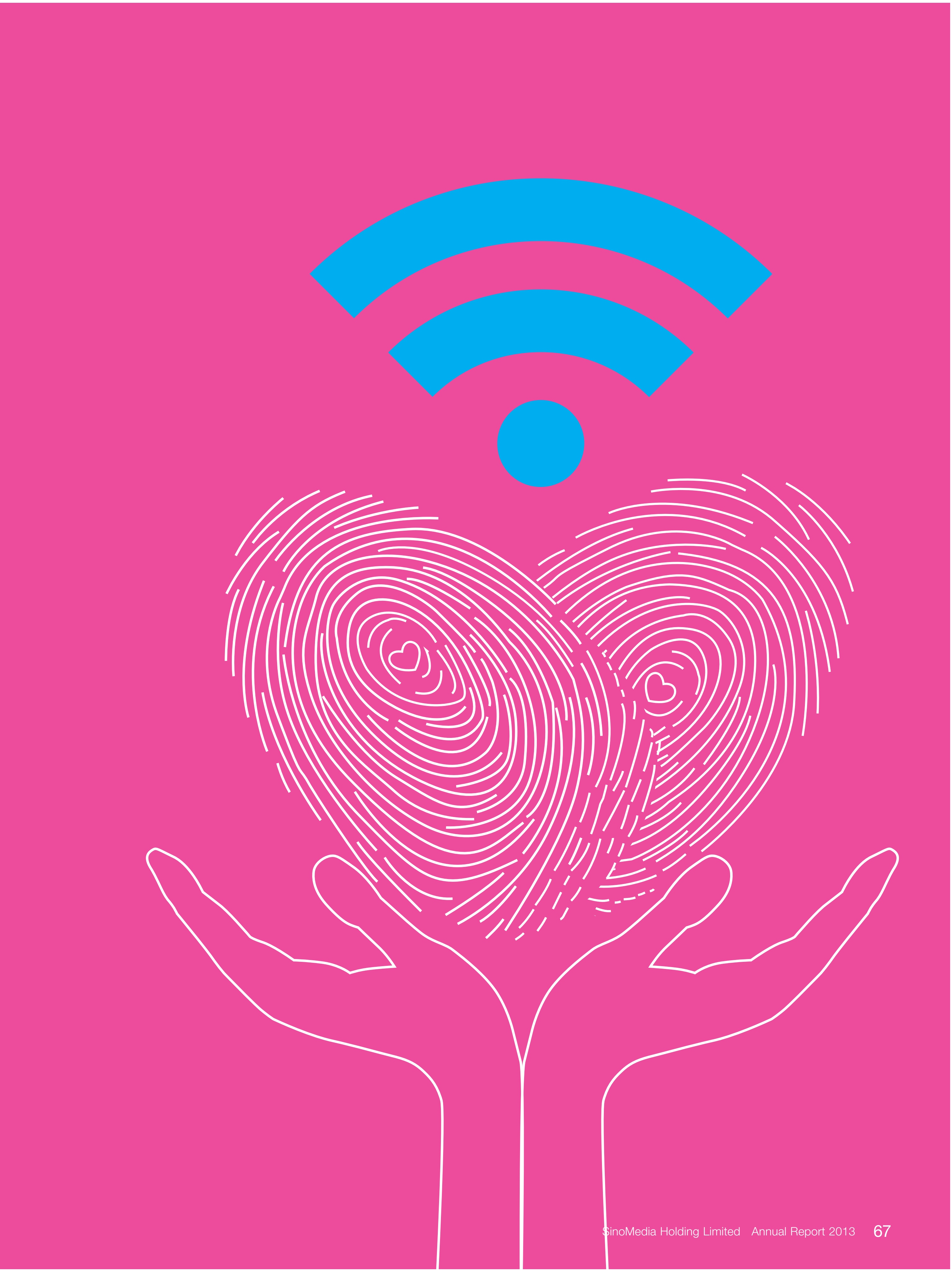
Press conferences and analysts' briefings are held at least twice a year subsequent to the interim and final results announcements in which the Directors and management are available to answer questions about the Group. Shareholders can also submit enquiries to the management and send proposals to be put forward at shareholders' meeting to the Board or senior management by sending emails to ir@sinomedia.com.hk or making phone calls to our investor hotline at 86-10-65896899. In addition, the Company's dedicated investor relations team takes a proactive approach to communicate with existing and potential investors in a timely manner by making regular face-to-face meetings and conference calls with investors.

Under the Company's Articles of Association, the Board, on the requisition of shareholders of the Company holding not less than 10% of the paid-up capital of the Company, can convene an extraordinary general meeting to address specific issues of the Company. At the annual general meeting, shareholders can raise any questions relating to performance and future direction of the Group with the Directors. The Company maintains contact with its shareholders through annual general meeting or other general meetings, and encourages shareholders to attend those meetings.

# Corporate Social Responsibility Report

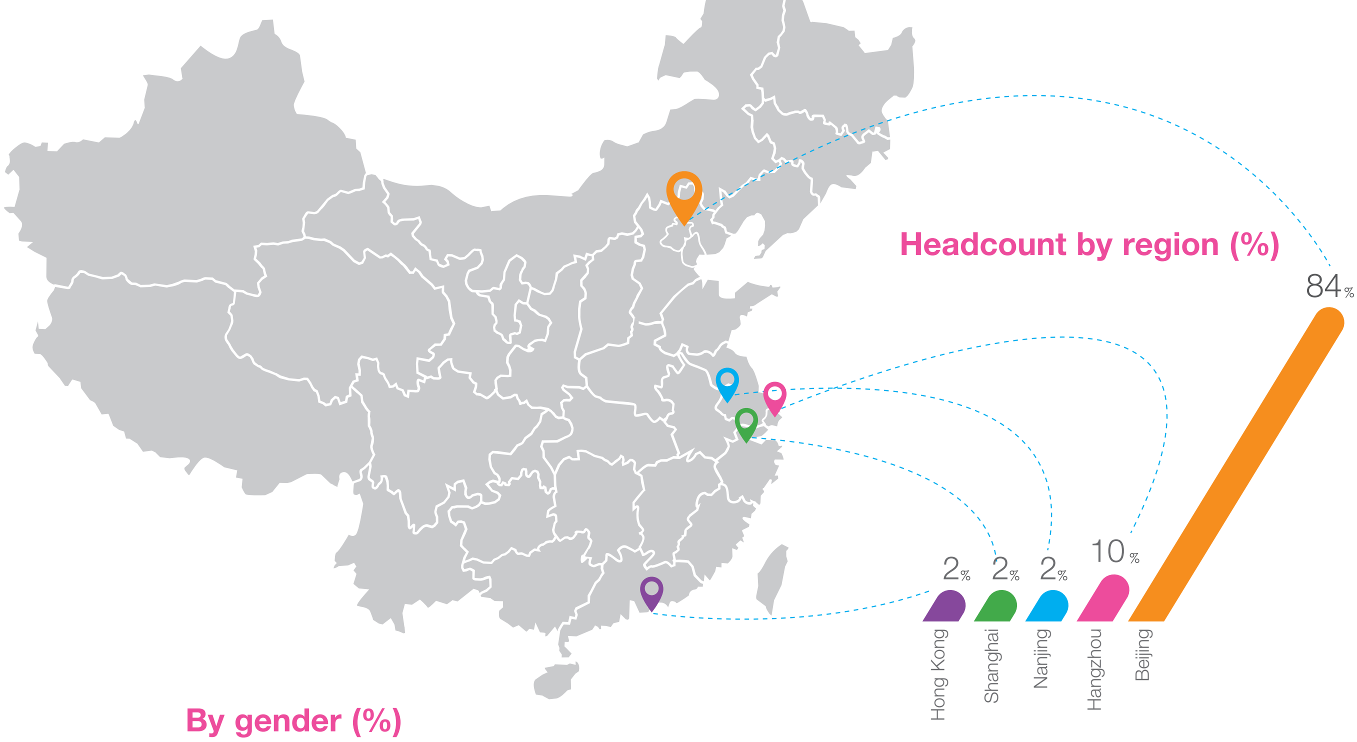
SinoMedia has been handling corporate social responsibility with an open mind, and continuing to be a leader in the Chinese media advertising industry to discharge corporate social responsibility. This includes strict compliance with the rules governing listed companies through the development of relevant systems and disclosure of corporate operations related to the interests of its shareholders in a timely manner; the establishment of a fair, reasonable and transparent remuneration and welfare system, and the provision of training, education programmes and working environment which facilitates nurturing of talents for the employees; safeguarding the due interest of its clients and ensuring the accessibility, fairness and transparency of its service system; promotion of concerted build-up and development of the industry by organising and participating in industry exchanges, etc.

SinoMedia mobilises and encourages every employee to participate in activities for contributing to their parents, caring for those around them and dedicating themselves to society. We devote ourselves to various aspects such as environmental protection, caring for the unprivileged, and facilitating family harmony through internal promotion, cooperation and participation, etc., so as to spread and promote ideas and concepts that are constructive to the establishment of public morals.

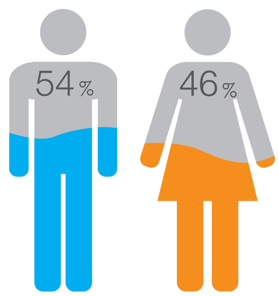


# PERFORMANCE STATISTICS

## Headcount by region (%)




## By gender (%)

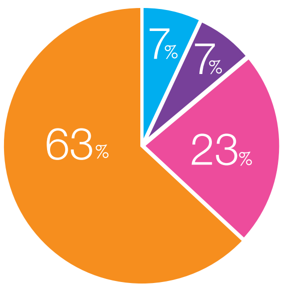



Total workforce 631

## Corporate and employee charitable donations

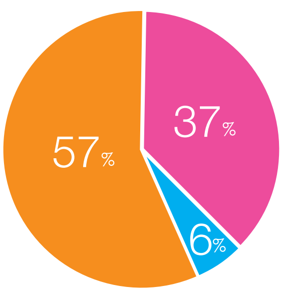
491 RMB'000

## By age group (%)




- 30 or below
- 31–35
- 36–40
- 41 or above

## By education level (%)




- Above degree
- Degree
- Diploma or below

## Resources Consumption

207 RMB'000

230 RMB'000

29 RMB'000

3.59 tonnes

## EMPLOYEE DEVELOPMENT AND TRAINING

Training is an important way to cultivate competitive talents. The Group even recognises personnel cultivation and employee development as its strategic development goal. In 2013, the Group organised a total of 60 training sessions, of which 29 were professional training sessions; 2 were management training sessions; 4 were training sessions for new employees; and 3 were external training sessions. A total of 1,713 employees attended the training sessions carrying 152 training hours and an average satisfaction of 94%. Breakthrough and progress were made in the employee development and training for the year.

1. There were four types of training: management training which aimed at improving the management skills and concepts of managers at the middle level and above; professional training such as "Industry Strategy Analysis", "Sales Analysis", "Sales Techniques" and "Comparative Analysis of Resources" which strengthened the professional techniques of general employees; skill training such as "Fire Safety, Environmental Health and Office Etiquettes" and "Attitudes and Habits" which enhanced soft skills of the employees; and training for new employees.

2. The training evaluation system was improved to ensure the quality of training and continuous improvement in quality.

3. New employee projects, which enabled our new colleagues to integrate themselves into the Group quickly, included "First Day at SinoMedia", "Financial Management System", "Human Resources Management System", "Internet Information Security", "Administration and Management Systems", "Dream of SinoMedia", "Employee Professional Ethics and Confidentiality", "Basic Legal Knowledge for Employees", "Career Happiness@SinoMedia", "Success in SinoMedia" and so on.

## ENVIRONMENTAL PROTECTION

SinoMedia spares no effort in protecting the environment and takes the initiative to create a healthy, natural and green environment. Starting with its group companies, the Group consistently improves its energy efficiency by adopting strategic energy-saving measures including water, electricity and fuel conservation measures, enhancement of vehicle efficiency, offering of subway prepaid cards to employees, recycling, provision of green tips to all employees, and production of public service advertisements in relation to environmental protection, etc.

### Energy Conservation System

The Group has actively implemented an accountability system. The "Announcement on Monthly Administration Check" highlighted and reminded employees of the need for switching off lights and power sources after work. Announcements and reminders are also made from time to time in the Company's work chat groups. The Company employs dedicated support staff to patrol the company regularly every night in order to make sure that all power sources are switched off.

### Paper Usage

In order to enhance efficiency in utilisation of materials, the Group has established and implemented a network office system — the OA office automation system. Through advocating paperless office and operation, in 2013, approximately 350,000 pieces of paper were saved in the process of advertisement production, visitor reception, attendance management and meeting management, etc.. Meanwhile, the Company encourages reuse of paper. Calculated on the basis of 4.9898g per A4 paper, the total amount of paper saved was not less than 1.5 tonnes.

### Emission Reduction in Operation and Business

During the year under review, the supply of bottled water during meetings has been cancelled, thus reducing plastic pollution. Moreover, the Group actively encouraged its employees to reduce unnecessary business trips. Face-to-face meetings have been replaced by telephone conferences to reduce flights. Following a rank system, employees are encouraged to travel by train instead of flight, thus lowering the carbon emission arising from transportation during business trips.

## EMPLOYEE ACTIVITIES AND WELFARE

### Joyful Working and Healthy Living

Adhering to the cultural principle of "caring, responsibility and inclusion", SinoMedia is dedicated to building a warm, harmonious, cooperative and family-like working environment. The meaning of "home" was reflected, in terms of welfare benefits, in a spectrum of aspects covering not just on employees' work, but more on sports, leisure and health, culture, dining and transport.

For sports and leisure, the SinoMedia Sports Day is organised annually in spring for 1–2 days to promote health and physical training among staff. We also have some other clubs such as arts ensembles, basketball teams and Taichi club for our employees with regular trainings and competitions in their spare time. In order to avoid the series of occupation-related fatigue and diseases arising from prolonged computer usage in office, the Group will arrange lessons conducted by health experts and yoga teachers for its employees to allow the employees to stretch their muscles. The Group has been providing its employees with quality general check-ups conducted by professional physical examination organisations on an annual basis for ten consecutive years since 2002. The Group regards the health of its employees as its most valuable asset.

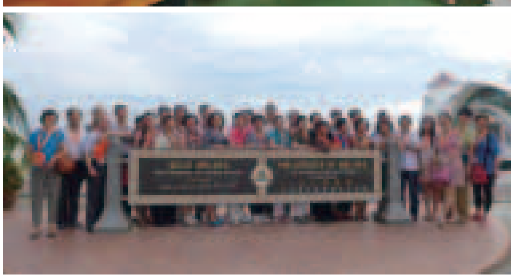
### Culture

A wide range of cultural activities is arranged by the Group. With the objective of guiding the employees to achieve joyful working and healthy living, the Group spent a total of approximately RMB1 million in 2013 to organise events such as “SinoMedia Parent-Children Day”, “Joint Weddings in SinoMedia”, “Tours for Outstanding Employees and Their Families”, “Joyful Charity Sales”, “Employee Birthday Party”, “Charity Visit” and “Dumplings-making in Winter Festival”.

### Dining and Transport

In order to create a home full of love to enable every employee to work and grow in a happy and warm environment, the Group, following the payment of transport allowances at the beginning of last year, offered lunch allowances for its employees at selected quality dining places in the vicinity of the Company in 2013.






## PARTICIPATION IN COMMUNITY EVENTS

### Caring Campaigns

The Group has established a Caring Committee and formulated detailed terms of reference and management regulations to contribute to the well-being of the society.

In 2013, the Group continued to regularly visit the poverty-stricken teachers and students at the Yanjing School for Migrant Workers' Children. The Group raised educational subsidy and various school supplies from the employee charity auctions. While subsidising Hope Primary Schools to improve the teaching and learning environment, the Group also purchased textbooks for students. Through one-to-one caring activities, the employees would be able to feel the joy of participating in charity and fulfilling individual social responsibility on one hand, while the children could have the mental strength to grow up with all efforts on the other hand.

## PROPERTY AND RENOVATION

The Group began to carry out renovation to new property for use as office buildings in 2013. During the renovation process, advanced noise reduction methods were employed in carrying out noise-free renovation works, and the following useful initiatives were carried out in various areas such as renovation materials:

1. Eco-friendly materials which met international standards were used in building renovation materials such as floors and walls
2. LED and energy-saving fluorescent tubes were used in the lighting to give consideration to both energy conservation and eye protection while ensuring that they met brightness requirement as a precondition
3. A reasonable amount of office furniture was recycled rather than purchased to conserve resources
4. A comprehensive, state-of-the-art incoming water filtration equipment was introduced, saving nearly a thousand units of bottled drinking water every month
5. Indoor green plants were both leased and purchased by the Group to save labour maintenance costs

## INTELLECTUAL PROPERTY RIGHTS AND REPORT AGAINST CORRUPTION

The Group places heavy emphasis on employees' knowledge and understanding of intellectual property rights. During the year, various different training sessions were organised to enhance employees' knowledge of intellectual property rights. Details of the training provided by the Company's legal department for new employees in 2013 are summed up as follows:

| Training specifically for new recruits |
| --- |
| Training in professional ethics and confidentiality |
| Training in basic legal knowledge |

Targeted training was also conducted for existing employees of various departments

| Training for functional departments | |
|---|---|
| Specifically for sales department | Training in contracts for advertising dissemination and production |
| | Documentation of and process for tender invitation |
| Specifically for human resources department | Training in Labour Contract Law |
| Specifically for finance department | Legal training in dealing with contracts |

The Group's Employee Handbook and the various rules of the enterprise clearly forbid corruption in any ways by employees of the enterprise, and anti-corruption clauses are included in all contracts drafted and entered into by the Group. Should any employee notice any violation, he/she can file a report to the Internal Audit Department, which regularly conducts anti-corruption reviews on each department. The Group did not record any legal cases and employee reports regarding corruption during 2013. For new employees, the Group also provides them with briefing on anti-corruption during the induction training of new recruits.

Corporate social responsibility remains to be a daunting task. SinoMedia will continue to pursue to be the industry's corporate social responsibility model as its goal, and to contribute, care and dedicate as its mission.

# www.wugu.com.cn: a dream for the Internet and the agricultural industry

www.wugu.com.cn, focusing on modern agriculturists, integrates various aspects of agricultural investment, production and marketing to make it an authoritative and specialised modern agricultural information service platform. It serves modern agriculturists by establishing an online and offline exchange community. It eyes on modern agriculturists by taking an approach towards specialised niche businesses, developing and delivering high value-added applicable products.

# Directors' Report

The directors (the "Directors") of the SinoMedia Holding Limited (the "Company") are pleased to present their annual report together with the audited financial statements for the year ended 31 December 2013.

## PRINCIPAL PLACE OF BUSINESS

The Company is a company incorporated and domiciled in Hong Kong and has its registered office at Unit 402, 4th Floor, Fairmont House, No. 8 Cotton Tree Drive, Admiralty, Hong Kong, and principal place of business at Unit 15D, Xintian International Plaza, No. 450 Fushan Road, Pudong New District, Shanghai, PRC.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are providing nationwide TV advertising coverage and campaign planning, and TV advertisement production services for advertisers and advertising agents.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries (the "Group") during the financial year ended 31 December 2013 are set out in note 16 to the financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the year ended 31 December 2013 is as follows:

| | Percentage of the Group's total purchases |
|---|---|
| The largest supplier | 93% |
| Five largest suppliers in aggregate | 95% |

The Group's five largest customers accounted for less than 20% of the Group's revenue.

At no time during the year had the Directors, their associates and any shareholder of the Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in these major suppliers and customers.

## FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2013 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 86 to 90.

## TRANSFER TO RESERVES

Profits attributable to equity shareholders of the Company, before dividends, of RMB369,108 thousand (2012: RMB302,591 thousand) have been transferred to reserves. Other movements in reserves are set out in the Consolidated Statements of Changes in Equity on page 91.

Dividends totalling RMB119,453 thousand (2012: RMB96,546 thousand) was paid in June 2013. The Directors now recommend the payment of a final dividend of HKD16.48 cents per share (2012: HKD13.5 cents per share) and a special dividend HKD16.48 cents per share (2012: HKD13.5 cents per share) for the year ended 31 December 2013.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group are set out in note 12 to the financial statements.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25 to the financial statements.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year under review.

## DIRECTORS

The Directors during the financial year under review were:

### Executive Directors

Chen Xin
Liu Jinlan
Li Zongzhou

### Non-executive Directors

Zhu Jia (resigned on 20 May 2013)
He Hui David

### Independent non-executive Directors

Ding Junjie
Qi Daqing
Lian Yuming
Wang Xin

In accordance with Article 105 of the Company's Articles of Association, Li Zongzhou, He Hui David, and Qi Daqing shall retire by rotation at the forthcoming annual general meeting ("AGM") of the shareholders of the Company. All of them, being eligible, will offer themselves for re-election at the AGM.

No Director proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory compensatory obligations.

## EMOLUMENT POLICY AND LONG-TERM INCENTIVE SCHEMES

To attract and retain talent and caliber, the Group provides competitive remuneration packages to its executive Directors and senior management. These comprise base monthly salary, variable pay and long-term incentive plan which includes share option scheme. The amount of variable pay is set at a percentage of the fixed pay, and is paid yearly relative to performance delivered through plans and objectives with pre-determined criteria and standards.

The remunerations payable to the Directors are determined with reference to their duties and responsibilities with the Company and the market rate for the positions.

The remuneration package of executives is designed so that a proportion is structured to link rewards to corporate and individual performance, and to give incentives to executives to perform at the highest levels. Through job evaluation and job matching, the Group ensures external competitiveness of the pay through reference to market survey and data.

The non-executive Directors' remuneration relates to the time commitment and responsibilities. They receive fees which comprise the following components:

- Directors' fees, which are usually paid annually; and

- Share options which are rewarded subject to the discretion of the Board.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the remuneration of the Directors and senior management during the year under review are set out in note 7 to the financial statements.

## FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of Directors and the five highest paid individuals of the Group during the year under review are set out in note 8 to the financial statements.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2013, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be (a) notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

## (i) Interests in the Company — Long Positions

| Name of Director | Nature of interest | Number of ordinary shares held | Number of underlying shares held under equity derivatives *(Note 1)* | Total | Approximate percentage of issued share capital of the Company |
|---|---|---|---|---|---|
| Liu Jinlan | Founder of discretionary trust, beneficiary of trust and beneficiary interest | 257,428,169 *(Note 2)* | 4,400,000 | 261,828,169 | 46.65% |
| Chen Xin | Founder of discretionary trust and beneficiary of trust | 257,428,165 *(Note 3)* | — | 257,428,165 | 45.86% |
| Li Zongzhou | Beneficial interest | — | 2,500,000 | 2,500,000 | 0.45% |
| He Hui David | Beneficial interest | — | 600,000 | 600,000 | 0.11% |
| Qi Daqing | Beneficial interest | — | 260,000 | 260,000 | 0.05% |
| Ding Junjie | Beneficial interest | — | 200,000 | 200,000 | 0.04% |
| Lian Yuming | Beneficial interest | — | 200,000 | 200,000 | 0.04% |
| Wang Xin | Beneficial interest | — | 200,000 | 200,000 | 0.04% |

*Notes:*

1. Details of the underlying shares are set out in the section headed "Share Option Schemes" in this report.

2. Liu Jinlan is deemed to be interested in 257,428,169 shares of the Company. These shares are held by three discretionary trusts, namely UME Trust, DFS (No. 2) Trust and CLH Trust, all founded by Liu Jinlan. In respect of 209,941,513 shares therein held by CLH Trust, Liu Jinlan is also a beneficiary of the trust.

3. Chen Xin is deemed to be interested in 257,428,165 shares of the Company. These shares are held by three discretionary trusts, namely MHS Trust, DFS (No. 1) Trust and CLH Trust, all founded by Chen Xin. In respect of 209,941,513 shares therein held by CLH Trust, Chen Xin is also a beneficiary of the trust.

### (ii) Interests in associated corporations of the Company — Long Positions

| Name of Director | Name of associated corporation | Nature of interest | Approximate percentage of issued share capital of the associated corporation |
|---|---|---|---|
| Liu Jinlan | CLH Holding Limited | Founder of discretionary trust | 100% |
| | Golden Bridge International Culture Limited | Corporate interest | 100% |
| | Golden Bridge Int'l Advertising Holdings Limited | Corporate interest | 100% |
| | CTV Golden Bridge International Media Group Co., Ltd. | Corporate interest | 0.3% |
| Chen Xin | CLH Holding Limited | Founder of discretionary trust | 100% |
| | Golden Bridge International Culture Limited | Corporate interest | 100% |
| | Golden Bridge Int'l Advertising Holdings Limited | Corporate interest | 100% |

Apart from the foregoing, as at 31 December 2013, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debenture of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company under Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEMES

The Company has adopted share option schemes on 29 June 2007 (the "Pre-IPO Scheme") and 27 May 2008 (the "Post-IPO Scheme") respectively, whereby the Directors have been authorised, at their discretion, to invite any full time employee, Director or any person approved by the board or shareholders of the Company to take up options (the "Pre-IPO Options" and the "Post-IPO Options", respectively) to subscribe for shares of the Company. No further options were and will be granted under the Pre-IPO Scheme after the listing of the shares of the Company. The Post-IPO Scheme shall be valid and effective for a period of ten years ending on 7 July 2018.

The total number of securities available for issue under both the Pre-IPO Scheme and the Post-IPO Scheme as at 31 December 2013 was 37,557,500 shares which represented approximately 7% of the issued share capital of the Company as at 31 December 2013.

Movements of the share options under the said share option schemes for the year ended 31 December 2013 are as follows:

| Directors | No. of options outstanding at the beginning of the year | No. of options granted during the year | No. of options exercised during the year | No. of options forfeited during the year | No. of options outstanding at the end of the year | Date of grant | Exercise price | Exercise period |
|---|---|---|---|---|---|---|---|---|
| Liu Jinlan | 3,200,000 | — | — | — | 3,200,000 | 10 July 2007 | RMB1.56 | Note 2 |
| | 1,200,000 | — | — | — | 1,200,000 | 2 July 2010 | HKD1.84 | Note 4 |
| Li Zongzhou | 1,600,000 | — | — | — | 1,600,000 | 10 July 2007 | RMB1.56 | Note 1 |
| | 900,000 | — | — | — | 900,000 | 2 July 2010 | HKD1.84 | Note 4 |
| He Hui David | 600,000 | — | — | — | 600,000 | 2 July 2010 | HKD1.84 | Note 4 |
| Qi Daqing | 260,000 | — | — | — | 260,000 | 17 September 2009 | HKD1.49 | Note 3 |
| Ding Junjie | 200,000 | — | — | — | 200,000 | 17 September 2009 | HKD1.49 | Note 3 |
| Lian Yuming | 200,000 | — | — | — | 200,000 | 29 August 2011 | HKD2.62 | Note 4 |
| Wang Xin | 200,000 | — | — | — | 200,000 | 11 September 2012 | HKD3.22 | Note 4 |
| Employees | | | | | | | | |
| in aggregate | 8,796,000 | — | (40,000) | — | 8,756,000 | 4 July 2007 to 7 March 2008 | RMB1.56 | Note 1 |
| | 200,000 | — | — | — | 200,000 | 17 September 2009 | HKD1.49 | Note 3 |
| | 13,667,500 | — | (1,131,500) | (187,500) | 12,348,500 | 2 July 2010 | HKD1.84 | Note 4 |
| | 500,000 | — | — | (375,000) | 125,000 | 22 November 2010 | HKD2.82 | Note 4 |
| | 873,000 | — | — | — | 873,000 | 6 December 2010 | HKD2.88 | Note 4 |
| | 2,040,000 | — | (70,000) | — | 1,970,000 | 29 August 2011 | HKD2.62 | Note 4 |
| | 800,000 | — | — | — | 800,000 | 9 January 2012 | HKD2.36 | Note 4 |
| | 1,660,000 | — | (75,000) | — | 1,585,000 | 11 September 2012 | HKD3.22 | Note 4 |
| | — | 700,000 | — | — | 700,000 | 12 April 2013 | HKD4.31 | Note 4 |
| | — | 1,880,000 | — | (40,000) | 1,840,000 | 19 July 2013 | HKD6.86 | Note 4 |

*Notes:*

1 A Pre-IPO Options holder may exercise a maximum of 25% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the Pre-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Pre-IPO Options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Li Zongzhou are exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above. Exercisable period of the Pre-IPO Options granted to employees of the Group commenced on 8 January 2009 and to be expired on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective dates of grant of the option) is also subject to the vesting requirement mentioned above.

2 An exception to the vesting requirement mentioned in note (1) above is that Liu Jinlan may exercise a maximum of 50% of the total number of the Pre-IPO Options granted after the elapse of 365 days from the acceptance of the options. Subsequently, for every full year of continuous service with the Company, Liu Jinlan may exercise a maximum of another 25% of the total number of the options granted, up to eight years from the date of grant.

Pre-IPO Options granted to Liu Jinlan is exercisable from 8 January 2009 to 9 July 2015, subject to the vesting requirement mentioned above.

3 A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted from his acceptance of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

4 A Post-IPO Options holder may exercise a maximum of 25% of the total number of the Post-IPO Options granted after the elapse of one full year from the date of grant of the Post-IPO Options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the Post-IPO Options granted, up to eight years from the date of grant.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES — LONG POSITIONS

As at 31 December 2013, so far as known to the Directors and chief executive of the Company, the following corporations (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Substantial shareholder | Nature of interest | Total number of ordinary shares held | % of total issued shares |
|---|---|---|---|
| Equity Trustee Limited | Trustee *(Note 1)* | 304,914,821 | 54.32% |
| CLH Holding Limited | Corporate interest *(Note 2)* | 209,941,513 | 37.40% |

*Notes:*

1. Equity Trustee Limited is deemed to be interested in 304,914,821 shares of the Company as it is the trustee of CLH Trust (shares held by Golden Bridge International Culture Limited), MHS Trust (shares held by Merger Holding Service Company Limited), UME Trust (shares held by United Marine Enterprise Company Limited), DFS (No. 1) Trust (shares held by Digital Finance Service Company Limited) and DFS (No. 2) Trust (shares held by SinoMedia Investment Ltd.).

2. These shares are directly held by Golden Bridge International Culture Limited which is a wholly owned subsidiary of Golden Bridge Int'l Advertising Holdings Limited which in turn is a wholly owned subsidiary of CLH Holding Limited. CLH Holding Limited is deemed to be interested in 209,941,513 shares of the Company held by Golden Bridge International Culture Limited.

Save as disclosed above, so far as known to the Directors and chief executive of the Company, as at 31 December 2013, there was no other persons or corporations (other than a Director or chief executive of the Company) who had any interests or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of the Divisions 2 and 3 of Part XV of the SFO.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

## DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at 31 December 2013 or at any time during the year.

## MANAGEMENT CONTRACTS

As at 31 December 2013, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal business of the Company.

## FIVE YEAR SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 179 of the annual report. The summary does not form part of the financial statements.

## PROVIDENT AND RETIREMENT FUND SCHEMES

The Group's employees in the PRC participate in various defined contribution schemes stipulated by the relevant municipal and provincial governments, under which the Group is required to make monthly contributions to these schemes. The Group's subsidiaries in the PRC contribute funds to the retirement benefit schemes, which are calculated based on a stipulated percentage of the average employee salary as agreed by the relevant municipal and provincial government. The Group has no further obligations for the actual payment of post-retirement benefits beyond the said contributions.

Details of the Group's contributions to the retirement benefit schemes are shown in note 5(b) to the financial statements.

## AUDITORS

The Company's auditors, KPMG, shall retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of KPMG as the Company's auditors will be proposed at the forthcoming AGM.

By order of the Board
**Chen Xin**
*Chairman*

# Independent Auditor's Report

**Independent auditor's report to the shareholders of SinoMedia Holding Limited**

*(Incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of SinoMedia Holding Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 86 to 178, which comprise the consolidated and company statements of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**KPMG**
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2014

# Consolidated Statement of Profit or Loss

For the year ended 31 December 2013
(Expressed in Renminbi)

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| Revenue | 3 | **1,767,036** | 1,642,113 |
| Cost of services | | **(1,122,346)** | (1,071,396) |
| **Gross profit** | | **644,690** | 570,717 |
| Other revenue | 4 | **46,925** | 25,630 |
| Selling and marketing expenses | | **(65,799)** | (68,216) |
| General and administrative expenses | | **(119,685)** | (108,459) |
| **Profit from operations** | | **506,131** | 419,672 |
| Finance income | 5(a) | **21,823** | 25,184 |
| Finance costs | 5(a) | **(914)** | (6,595) |
| **Net finance income** | | **20,909** | 18,589 |
| Share of profit/(loss) of associates | | **3,455** | (1,169) |
| **Profit before taxation** | | **530,495** | 437,092 |
| Income tax | 6 | **(158,808)** | (131,468) |
| **Profit for the year** | | **371,687** | 305,624 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **369,108** | 302,591 |
| Non-controlling interests | | **2,579** | 3,033 |
| **Profit for the year** | | **371,687** | 305,624 |
| **Earnings per share** | 11 | | |
| Basic earnings per share (RMB) | | **0.661** | 0.544 |
| Diluted earnings per share (RMB) | | **0.636** | 0.532 |

The notes on pages 93 to 178 form part of these consolidated financial statements. Details of dividends payable to Equity shareholders of the Company attributable to the profit for the year are set out in note 25(b).

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2013
(Expressed in Renminbi)

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| **Profit for the year** | **371,687** | 305,624 |
| **Other comprehensive income for the year (after tax and reclassification adjustments)** | **(1,156)** | 733 |
| Exchange differences on translation of financial statements of the Company and overseas subsidiaries | **(1,156)** | 733 |
| **Total comprehensive income for the year** | **370,531** | 306,357 |
| **Attributable to:** | | |
| Equity shareholders of the Company | **367,952** | 303,324 |
| Non-controlling interests | **2,579** | 3,033 |
| **Total comprehensive income for the year** | **370,531** | 306,357 |

The notes on pages 93 to 178 form part of these consolidated financial statements.

# Consolidated Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **219,393** | 53,253 |
| Investment property | 12 | **704,159** | 3,766 |
| Intangible assets | 13 | **38,336** | — |
| Goodwill | 14 | **23,644** | — |
| Prepayments | 15 | **—** | 792,869 |
| Interest in associates | 17 | **44,153** | 48,086 |
| Other non-current financial assets | 18(a) | **23,417** | 24,339 |
| Trade and other receivables | 19 | **1,800** | — |
| Deferred tax assets | 24(b) | **11,703** | 5,146 |
| | | **1,066,605** | 927,459 |
| **Current assets** | | | |
| Trade and other receivables | 19 | **378,601** | 468,945 |
| Cash and cash equivalents | 20 | **1,070,106** | 1,442,752 |
| | | **1,448,707** | 1,911,697 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **910,883** | 1,501,348 |
| Bank loans | 22 | **5,000** | — |
| Current taxation | 24(a) | **83,563** | 91,666 |
| Other financial liability | 18(b) | **10,500** | — |
| | | **1,009,946** | 1,593,014 |
| **Net current assets** | | **438,761** | 318,683 |
| **Total assets less current liabilities** | | **1,505,366** | 1,246,142 |
| **Non-current liability** | | | |
| Other non-current financial liability | 18(b) | **—** | 12,442 |
| | | **—** | 12,442 |
| **NET ASSETS** | | **1,505,366** | 1,233,700 |

| | Note | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 25(c) | **172** | 171 |
| Reserves | | **1,477,978** | 1,224,542 |
| **Total equity attributable to equity shareholders of the Company** | | **1,478,150** | 1,224,713 |
| **Non-controlling interests** | | **27,216** | 8,987 |
| **TOTAL EQUITY** | | **1,505,366** | 1,233,700 |

Approved and authorised for issue by the board of directors on 20 March 2014.

**Chen Xin**
*Chairman*

**He Hui David**
*Director*

The notes on pages 93 to 178 form part of these consolidated financial statements.

# Statement of Financial Position

At 31 December 2013
(Expressed in Renminbi)

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 16 | **232,046** | 226,940 |
| Interest in associates | 17 | **33,794** | 34,853 |
| Other non-current financial assets | 18(a) | **3,417** | 3,767 |
| | | **269,257** | 265,560 |
| **Current assets** | | | |
| Trade and other receivables | 19 | **327,592** | 314,023 |
| Cash and cash equivalents | 20 | **23,140** | 8,116 |
| | | **350,732** | 322,139 |
| **Current liability** | | | |
| Trade and other payables | | **2,334** | 2,763 |
| | | **2,334** | 2,763 |
| **Net current assets** | | **348,398** | 319,376 |
| **Total assets less current liability** | | **617,655** | 584,936 |
| **NET ASSETS** | | **617,655** | 584,936 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 25(c) | **172** | 171 |
| Reserves | 25(a) | **617,483** | 584,765 |
| **TOTAL EQUITY** | | **617,655** | 584,936 |

Approved and authorised for issue by the board of directors on 20 March 2014.

**Chen Xin**
*Chairman*

**He Hui David**
*Director*

The notes on pages 93 to 178 form part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2013
(Expressed in Renminbi)

| | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 25(c)) | Share premium RMB'000 | Capital redemption reserve RMB'000 (note 25(d)) | Capital reserve RMB'000 (note 25(d)) | Statutory reserve RMB'000 (note 25(d)) | Translation reserve RMB'000 (note 25(d)) | Other reserves RMB'000 (note 25(d)) | Retained profits RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2012** | 171 | 469,209 | 21 | 32,331 | 60,652 | (4,163) | (9,338) | 469,992 | 1,018,875 | 6,359 | 1,025,234 |
| **Changes in equity for 2012:** | | | | | | | | | | | |
| Profit for the year | – | – | – | – | – | – | – | 302,591 | 302,591 | 3,033 | 305,624 |
| Other comprehensive income | – | – | – | – | – | 733 | – | – | 733 | – | 733 |
| Total comprehensive income | – | – | – | – | – | 733 | – | 302,591 | 303,324 | 3,033 | 306,357 |
| Appropriation to reserves | – | – | – | – | 136 | – | – | (136) | – | – | – |
| Purchase of own shares | (1) | – | 1 | – | – | – | – | (7,346) | (7,346) | – | (7,346) |
| Shares issued under share option scheme | 1 | 3,764 | – | (1,263) | – | – | – | – | 2,502 | – | 2,502 |
| Equity-settled share-based transactions (note 23) | – | – | – | 3,904 | – | – | – | – | 3,904 | – | 3,904 |
| Dividends declared in respect of the current year (note 25(b)) | – | – | – | – | – | – | – | (96,546) | (96,546) | (405) | (96,951) |
| **Balance at 31 December 2012 and 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 (note 23) | **–** | **–** | **–** | **2,739** | **–** | **–** | **–** | **–** | **2,739** | **–** | **2,739** |
| Dividends declared in respect of the current year (note 25(b)) | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **(119,453)** | **(119,453)** | **(585)** | **(120,038)** |
| **Balance at 31 December 2013** | **172** | **485,213** | **22** | **27,669** | **82,632** | **(4,586)** | **(9,338)** | **896,366** | **1,478,150** | **27,216** | **1,505,366** |

The notes on pages 93 to 178 form part of these consolidated financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2013
(Expressed in Renminbi)

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash (used in)/generated from operations | 20(b) | **(95,416)** | 1,307,971 |
| PRC income tax paid | 24(a) | **(167,012)** | (110,124) |
| **Net cash (used in)/generated from operating activities** | | **(262,428)** | 1,197,847 |
| **Investing activities** | | | |
| Payment for purchase of property, plant and equipment | | **(7,636)** | (558,634) |
| Payment for purchase of intangible assets | | **(88)** | — |
| Proceeds from sales of property, plant and equipment | | **2,427** | 511 |
| Payment for acquisition of subsidiaries, net of cash acquired | 26 | **(3,797)** | (22,869) |
| Payment for acquisition of associate | | **—** | (10,000) |
| Interest received | | **19,701** | 23,381 |
| **Net cash generated from/(used in) investing activities** | | **10,607** | (567,611) |
| **Financing activities** | | | |
| Repayment of bank loans | | **(3,000)** | — |
| Payment for repurchase of shares | 25(c)(ii) | **—** | (7,346) |
| Proceeds from shares issued under share option scheme | | **2,199** | 2,502 |
| Other borrowing costs paid | | **(111)** | — |
| Dividends paid to non-controlling interests | | **(501)** | — |
| Dividends paid to equity shareholders of the Company | | **(119,453)** | (96,546) |
| **Net cash used in financing activities** | | **(120,866)** | (101,390) |
| **Net (decrease)/increase in cash and cash equivalents** | | **(372,687)** | 528,846 |
| **Cash and cash equivalents at 1 January** | | **1,442,752** | 913,179 |
| **Effect of foreign exchange rate changes** | | **41** | 727 |
| **Cash and cash equivalents at 31 December** | 20 | **1,070,106** | 1,442,752 |

The notes on pages 93 to 178 form part of these consolidated financial statements.

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (IASs) and Interpretations issued by the International Accounting Standards Board (IASB). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued certain new and revised IFRS that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

The financial statements are presented in Renminbi ("RMB") (the "presentation currency"), rounded to the nearest thousand.

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 as explained in the accounting policies set out below:

- derivative financial instruments (see note 1(h))

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation of the financial statements (continued)

Judgements made by management in the application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 2.

### (c) Changes in accounting policies

The IASB has issued a number of new IFRS and amendments to IFRS that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- *Annual Improvements to IFRSs 2009-2011 Cycle*
- Amendments to IFRS 7 — *Disclosures — Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to IFRS 7, 10, 12, 13 and IAS 1 have had no material impact on the Group's financial statements as the amendments were either consistent with policies already adopted by the Group or these changes will be effective as and when the Group enters a relevant transaction. None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Subsidiaries and non-controlling interests (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit of loss and other comprehensive as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(m)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 1(f) and (m)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(g)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(m)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

### (f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(m)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (g) Other investments in equity securities

The Group's and the Company's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in securities which do not fall into the investments in securities held for trading or held-to-maturity securities are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognized in other comprehensive income and accumulated separately in equity in the fair value reserve. As an exception to this, investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognized in the statement of financial position at cost less impairment losses (see note 1(m)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (h) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

### (i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation.

*(i) Recognition and measurement*

Investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the properties.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

*(ii) Depreciation*

Depreciation is based on the cost of an investment property less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of investment property.

The estimated useful live for the current year is as follows:

| | |
|---|---|
| — Buildings | 30–45 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (j) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

— buildings held for own use; and

— other items of plant and equipment.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

| | |
|---|---|
| — Buildings | 30–45 years |
| — Fixtures, fittings, and computer equipment | 3–5 years |
| — Motor vehicles | 5 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

### (k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)). Expenditure on internally generated brands is recognised as an expense in the period in which it is incurred.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Intangible assets (other than goodwill) (continued)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

| | |
|---|---|
| — Capitalised development costs | 10 years |
| — Copyrights, trademarks, domain names and others | 10 years |

Both the period and method of amortisation are reviewed annually.

### (l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

## (l) Leased assets (continued)

*(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(j). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(m). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

*(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(i)) or is held for development for sale.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment of assets

*(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For investments in associates accounted for under the equity method in the consolidated financial statements (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(m)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(m)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

### (m) Impairment of assets (continued)

*(i) Impairment of investments in equity securities and other receivables (continued)*

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effective of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (m) Impairment of assets (continued)

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— intangible assets;

— goodwill; and

— investments in subsidiaries and associates in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

### (m) Impairment of assets (continued)

*(ii) Impairment of other assets (continued)*

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

*(iii) Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

### (n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(m)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (p) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (q) Cash and Cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### (r) Employee benefits

*(i) Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

## (r) Employee benefits (continued)

*(ii) Share-based payments (continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

*(iii) Other long-term employee benefits*

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any related assets is deducted.

*(iv) Termination benefits*

Termination benefits are recognized at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognizes restructuring costs involving the payment of termination benefits.

## (s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

### (s) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (t) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Media resources management*

Revenue from media resources management is primarily derived from the placement of advertisements. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to reports issued by an independent third party with relevant qualification and experience on a monthly basis, which evidence the advertisement actually broadcast.

*(ii) Integrated brand communication services*

Revenue from integrated brand communication services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms, primarily television stations. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group in proportion to the stage of completion of the transaction on a monthly basis. The stage of completion is assessed by reference to service performed to date as a percentage of total services to be performed.

*(iii) Internet media and content operations*

Revenue from internet media and content operations are primarily derived from internet websites operations, and designing and developing advertisement production. The revenue from internet media operations is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The revenue from content operations is recognised when advertisement production is delivered to the customer which is taken to be the point in time when the customer has accepted the advertisement production and the related risks and rewards of ownership.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Revenue recognition (continued)

*(iv) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

*(v) Dividends*

— Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*(vi) Interest income*

Interest income is recognised as it accrues using the effective interest method.

*(vii) Government grants*

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that become receivable as compensation for expenses already incurred are recognised in profit or loss as other income of the period in which they become receivable.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### (w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

### (x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

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.

For the year ended 31 December 2013 and 2012, there are no revenues generated from outside Mainland China. As at 31 December 2013 and 2012, the balances of non-current assets, which are based on the physical location of the assets located outside Mainland China, are amounting to RMB47 thousand and RMB100 thousand respectively.

## 2. ACCOUNTING JUDGEMENT AND ESTIMATES

*Key sources of estimation uncertainty are as follows:*

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgments about matters that are not readily apparent from other sources. On an ongoing basis, the Group evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

## 2. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

*Key sources of estimation uncertainty are as follows: (continued)*

— Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews annually the useful life of an asset and its residual value, if any. Both the period and method of depreciation are reviewed annually. The depreciation expense for future periods are adjusted if there are significant changes from previous estimates.

— Impairment of goodwill

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## 3. REVENUE

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Media resources management | **1,670,774** | 1,592,942 |
| Integrated brand communication services | **49,820** | 39,276 |
| Internet media and content operations | **49,088** | 35,706 |
| Rental income | **34,509** | 145 |
| Less: Sales taxes and surcharges | **(37,155)** | (25,956) |
| | **1,767,036** | 1,642,113 |

## 4. OTHER REVENUE

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| Government grant | (i) | **46,800** | 25,468 |
| Others | | **125** | 162 |
| | | **46,925** | 25,630 |

(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.

## 5. PROFIT BEFORE TAXATION

### (a) Finance income and costs

| | Note | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|---|
| Interest income on bank deposits | | **19,701** | 23,381 |
| Changes in fair value of derivative financial instruments | 18 | **2,122** | 1,803 |
| Finance income | | **21,823** | 25,184 |
| Interest on bank borrowings wholly repayable within five years | | **(111)** | — |
| Changes in fair value of derivative financial instruments | 18 | **(240)** | (5,201) |
| Net foreign exchange loss | | **(522)** | (1,359) |
| Others | | **(41)** | (35) |
| Finance costs | | **(914)** | (6,595) |
| Net finance income | | **20,909** | 18,589 |

### (b) Staff cost

| | Note | 2013<br>RMB'000 | 2012<br>RMB'000 |
|---|---|---|---|
| Salaries, wages and other benefits | | **77,364** | 61,143 |
| Contribution to defined contribution plan | *(i)* | **16,735** | 13,336 |
| Equity-settled share-based payment expenses | 23 | **2,739** | 3,904 |
| | | **96,838** | 78,383 |

*(i) Defined contribution plan*

As stipulated by the regulations of the PRC, the Group participates in a defined contribution retirement plan organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 20% to 22% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above.

## 5. PROFIT BEFORE TAXATION (CONTINUED)

### (c) Other items

The following expenses are included in cost of services, selling and marketing expenses and general and administrative expenses.

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| Amortisation | | | |
| — intangible assets | 13 | **1,039** | — |
| Depreciation | 12 | **24,187** | 7,243 |
| Impairment losses | | | |
| — trade and bills receivable | 19(b) | **6,743** | 6,921 |
| — other debtors | | **1,502** | 4,500 |
| — interest in associates | 17 | **—** | 9,380 |
| | | **8,245** | 20,801 |
| Operating lease charges: minimum lease payments | | | |
| — hire of machinery | | **373** | 472 |
| — hire of properties | | **10,319** | 9,647 |
| | | **10,692** | 10,119 |
| Auditors' remuneration | | | |
| — audit services | | **3,200** | 3,100 |
| Professional fee | | **3,936** | 3,133 |
| Research and development costs (other than amortisation costs) | | **1,664** | — |

## 6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) Taxation in the consolidated statement of profit or loss represents:

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| **Current tax** | | |
| Provision for PRC income tax | **158,909** | 132,971 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(101)** | (1,503) |
| Total income tax expense | **158,808** | 131,468 |

(i) 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.

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

(iii) The provision for PRC income tax is based on the respective applicable rates on the estimated assessable income of the Group entities in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

Except for the Company and its subsidiaries in Hong Kong and Singapore, applicable income tax rate of other Group entities in the PRC is the uniform tax rate of 25%.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| Profit before taxation | **530,495** | 437,092 |
| Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions | **133,168** | 109,710 |
| Tax effect of non-deductible expenses | **8,123** | 9,872 |
| Withholding tax withhold by PRC subsidiaries | **19,442** | 13,460 |
| Tax losses not recognised as deferred tax assets | **1,381** | 165 |
| Offset unused tax losses | **(303)** | (1,579) |
| Tax effect of non-taxable income | **(3,003)** | (160) |
| **Actual tax expense** | **158,808** | 131,468 |

## 7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

**For the year ended 31 December 2013**

| | Directors' fees *RMB'000* | Salaries, allowances and other benefits in kind *RMB'000* | Discretionary bonuses *RMB'000* | Contribution to defined contribution plan *RMB'000* | Equity settled share-based payment *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | |
| Chen Xin | – | 1,182 | 946 | 79 | – | 2,207 |
| Liu Jinlan | – | 1,094 | 946 | 87 | 67 | 2,194 |
| Li Zongzhou | – | 888 | 298 | – | 50 | 1,236 |
| **Non-executive directors** | | | | | | |
| He Hui David | – | – | – | – | 34 | 34 |
| **Independent non-executive directors** | | | | | | |
| Ding Junjie | 144 | – | – | – | – | 144 |
| Qi Daqing | 160 | – | – | – | – | 160 |
| Lian Yuming | 144 | – | – | – | 37 | 181 |
| Wang Xin | 144 | – | – | – | 67 | 211 |
| | 592 | 3,164 | 2,190 | 166 | 255 | 6,367 |

## 7. DIRECTORS' REMUNERATION (CONTINUED)

**For the year ended 31 December 2012**

| | | Directors' fees RMB'000 | Salaries, allowances and other benefits in kind RMB'000 | Discretionary bonuses RMB'000 | Contribution to defined contribution plan RMB'000 | Equity settled share-based payment RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | |
| Chen Xin | | – | 1,122 | 1,122 | 72 | – | 2,316 |
| Liu Jinlan | | – | 1,122 | 1,122 | 72 | 137 | 2,453 |
| Li Zongzhou | | – | 840 | 518 | – | 103 | 1,461 |
| **Non-executive directors** | | | | | | | |
| Zhu Jia | *(i)* | – | – | – | – | – | – |
| He Hui David | | – | – | – | – | 69 | 69 |
| **Independent non-executive directors** | | | | | | | |
| Ding Junjie | | 122 | – | – | – | 5 | 127 |
| Qi Daqing | | 122 | – | – | – | 7 | 129 |
| Lian Yuming | | 122 | – | – | – | 76 | 198 |
| Wang Xin | *(ii)* | 76 | – | – | – | 23 | 99 |
| | | 442 | 3,084 | 2,762 | 144 | 420 | 6,852 |

(i) Mr. Zhu Jia, non-executive director, was resigned on 20 May 2013.

(ii) Ms. Wang Xin, independent non-executive director, was appointed on 23 May 2012.

## 8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments during the year ended 31 December 2013, two (2012: two) directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2012: three) are as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries, allowances and other benefits in kind | **4,332** | 4,577 |
| Contribution to defined contribution plan | **171** | 155 |
| Equity-settled share-based transactions | **162** | 331 |
| | **4,665** | 5,063 |

The emoluments of the three (2012: three) individuals with the highest emoluments are within the following bands:

| | **2013** | 2012 |
|---|---|---|
| Nil to RMB1,000,000 | **—** | — |
| RMB1,000,001 to RMB1,500,000 | **—** | — |
| RMB1,500,001 to RMB2,000,000 | **3** | 3 |

## 9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2013 includes a profit of RMB4,642 thousand (2012: loss of RMB8,963 thousand) and dividends of RMB161,514 thousand (2012: dividends of RMB134,595 thousand) from subsidiaries attributable to the profit of current financial years, which have been dealt with in the financial statements of the Company.

## 9. PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY (CONTINUED)

Reconciliation of the above amount to the Company's profit for the year:

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| Amount of profit/(loss) attributable to equity shareholders dealt with in the Company's financial statements | **4,642** | (8,963) |
| Dividends from subsidiaries attributable to the profits of current financial years, approved during the year | **161,514** | 134,595 |
| Company's profit for the year (note 25(a)) | **166,156** | 125,632 |

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(b)(i).

## 10. OTHER COMPREHENSIVE INCOME

There are no tax effects relating to the exchange differences on translation of financial statements of the Company and its subsidiaries in Hong Kong and Singapore during the year (2012: nil).

## 11. 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 RMB369,108 thousand (2012: RMB302,591 thousand) and the weighted average of 558,351 thousand ordinary shares (2012: 556,598 thousand shares) in issue during the year, calculated as follows:

| **Profit attributable to ordinary equity shareholders** | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| Profit for the year | **369,108** | 302,591 |
| Profit attributable to ordinary equity shareholders | **369,108** | 302,591 |

## 11. EARNINGS PER SHARE (CONTINUED)

### (a) Basic earnings per share (continued)

| **Weighted average number of ordinary shares** | *Note* | **2013** ***'000*** | 2012 *'000* |
|---|---|---|---|
| Issued ordinary shares at 1 January | | **555,686** | 557,025 |
| Effect of issues of ordinary shares upon exercise of share options | *25(c)(i)* | **2,665** | 1,262 |
| Effect of purchase of own shares | *25(c)(i)* | **—** | (1,689) |
| Weighted average number of ordinary shares at 31 December | | **558,351** | 556,598 |

### (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 RMB369,108 thousand (2012: RMB302,591 thousand) and the weighted average number of ordinary shares of 580,085 thousand shares (2012: 569,190 thousand shares after adjusting for the effect of share options in issue), calculated as follows:

| **Profit attributable to ordinary equity shareholders (diluted)** | **2013** ***RMB'000*** | 2012 *RMB'000* |
|---|---|---|
| Profit attributable to ordinary equity shareholders (basic and diluted) | **369,108** | 302,591 |

| **Weighted average number of ordinary shares (diluted)** | **2013** ***'000*** | 2012 *'000* |
|---|---|---|
| Weighted average number of ordinary shares (basic) | **558,351** | 556,598 |
| Effect of share options in issue | **21,734** | 12,592 |
| Weighted average number of ordinary shares (diluted) at 31 December | **580,085** | 569,190 |

## 12. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

### (a) Group

| | 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 2012 | 50,162 | 5,758 | 18,064 | 73,984 | 3,988 | 77,972 |
| Additions | – | 4,159 | 475 | 4,634 | – | 4,634 |
| Disposals | – | (3,064) | (2,373) | (5,437) | – | (5,437) |
| Balance at 31 December 2012 | 50,162 | 6,853 | 16,166 | 73,181 | 3,988 | 77,169 |
| Balance at 1 January 2013 | **50,162** | **6,853** | **16,166** | **73,181** | **3,988** | **77,169** |
| Additions | | | | | | |
| Purchase | **206,823** | **3,387** | **486** | **210,696** | **675,981** | **886,677** |
| Acquisition of subsidiaries | **3,626** | **10,259** | **773** | **14,658** | **–** | **14,658** |
| Reclassification | **–** | **–** | **–** | **–** | **49,279** | **49,279** |
| Decreases | | | | | | |
| Disposals | **–** | **(3,648)** | **(1,638)** | **(5,286)** | **–** | **(5,286)** |
| Reclassification | **(49,279)** | **–** | **–** | **(49,279)** | **–** | **(49,279)** |
| Balance at 31 December 2013 | **211,332** | **16,851** | **15,787** | **243,970** | **729,248** | **973,218** |
| **Depreciation** | | | | | | |
| Balance at 1 January 2012 | 6,727 | 3,497 | 7,531 | 17,755 | 89 | 17,844 |
| Depreciation | | | | | | |
| Charge for the year | 2,301 | 1,899 | 2,910 | 7,110 | 133 | 7,243 |
| Decreases | | | | | | |
| Disposals | – | (2,059) | (2,878) | (4,937) | – | (4,937) |
| Balance at 31 December 2012 | 9,028 | 3,337 | 7,563 | 19,928 | 222 | 20,150 |
| Balance at 1 January 2013 | **9,028** | **3,337** | **7,563** | **19,928** | **222** | **20,150** |
| Depreciation | | | | | | |
| Charge for the year | **6,253** | **2,107** | **2,321** | **10,681** | **13,506** | **24,187** |
| Acquisition of subsidiaries | **1,545** | **6,183** | **303** | **8,031** | **–** | **8,031** |
| Reclassification | **–** | **–** | **–** | **–** | **11,361** | **11,361** |
| Decreases | | | | | | |
| Disposals | **–** | **(1,146)** | **(1,556)** | **(2,702)** | **–** | **(2,702)** |
| Reclassification | **(11,361)** | **–** | **–** | **(11,361)** | **–** | **(11,361)** |
| Balance at 31 December 2013 | **5,465** | **10,481** | **8,631** | **24,577** | **25,089** | **49,666** |
| **Carrying amounts** | | | | | | |
| At 31 December 2013 | **205,867** | **6,370** | **7,156** | **219,393** | **704,159** | **923,552** |
| At 31 December 2012 | 41,134 | 3,516 | 8,603 | 53,253 | 3,766 | 57,019 |

## 12. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY (CONTINUED)

### (b) Fixed assets held under finance leases

At the end of the reporting period, the net book value of buildings held under finance leases of the Group was RMB24,150 thousand (2012: nil).

## 13. INTANGIBLE ASSETS

| | Development costs *RMB'000* | Patents and trademarks *RMB'000* | Total *RMB'000* |
|---|---|---|---|
| **Cost** | | | |
| At 31 December 2012 and 1 January 2013 | — | — | — |
| Additions through internal development | 88 | — | 88 |
| Additions from acquisition of subsidiaries | 5,490 | 35,223 | 40,713 |
| **At 31 December 2013** | **5,578** | **35,223** | **40,801** |
| **Accumulated amortisation** | | | |
| At 31 December 2012 and 1 January 2013 | — | — | — |
| Additions from acquisition of subsidiaries | 912 | 514 | 1,426 |
| Charge for the year | 124 | 915 | 1,039 |
| **At 31 December 2013** | **1,036** | **1,429** | **2,465** |
| **Net book value** | | | |
| **At 31 December 2013** | **4,542** | **33,794** | **38,336** |
| At 31 December 2012 | — | — | — |

## 14. GOODWILL

| | Group<br>*RMB'000* |
|---|---|
| **Cost** | |
| At 31 December 2012 | — |
| Additions from acquisition of subsidiaries | 23,644 |
| **At 31 December 2013** | **23,644** |
| **Accumulated impairment losses** | |
| **At 31 December 2012 and 31 December 2013** | **—** |
| **Carrying amount** | |
| **At 31 December 2013** | **23,644** |
| At 31 December 2012 | — |

## 15. PREPAYMENTS

| | The Group | |
|---|---|---|
| | **2013**<br>***RMB'000*** | 2012<br>*RMB'000* |
| Prepayment for acquisition of properties | **—** | 770,000 |
| Prepayment for acquisition of an entity | **—** | 22,869 |
| | **—** | 792,869 |

The transactions related to the above balances have been completed during the year of 2013.

## 16. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2013**<br>***RMB'000*** | 2012<br>*RMB'000* |
| Investment, at cost | **232,046** | 226,940 |

(Expressed in Renminbi unless otherwise indicated)

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

As at 31 December 2013, the Company had direct and indirect interests in the following subsidiaries:

| Name of company | Place and date of incorporation/ establishment | Registered and fully paid capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| **Sino-foreign invested enterprise established in the PRC** | | | | | | |
| CTV Golden Bridge International Media Group Company Limited 中視金橋國際傳媒集團有限公司 | Shanghai, the PRC 23 June 2005 | USD30,000,000 | 99.7% | 99.7% | – | Provision of nationwide TV advertising coverage, campaign planning, TV advertisement and production services for advertisers and advertising agents |
| **Foreign venture enterprise established in Hong Kong** | | | | | | |
| CTV Golden Bridge International Media (Hong Kong) Company Limited 中視金橋國際傳媒(香港)有限公司 | Hong Kong 31 May 2011 | HKD10,000,000 | 100% | 100% | – | Provision of nationwide TV advertising coverage, campaign planning, TV advertisement and production services for advertisers and advertising agents |
| **Foreign venture enterprise established in Singapore** | | | | | | |
| SinoMedia Global Pte. Ltd. | Singapore 7 August 2013 | SGD2,000,000 | 100% | 100% | – | Production and distribution of advertisement or any media related items |

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Place and date of incorporation/ establishment | Registered and fully paid capital | Proportion of ownership interest: Group's effective interest | Proportion of ownership interest: Held by the Company | Proportion of ownership interest: Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| **Domestic companies established in the PRC** | | | | | | |
| CTV Golden Bridge International Media Jiangsu Company Limited 中視金橋國際傳媒江蘇有限公司 | Jiangsu, the PRC 30 January 2007 | RMB2,000,000 | 99.7% | – | 100% | Provision of nationwide TV advertising coverage, campaign planning, TV advertisement and production services for advertisers and advertising agents |
| Beijing Taihe Ruishi Culture and Media Company Limited 北京太合瑞視文化傳媒有限公司 | Beijing, the PRC 4 November 2008 | RMB3,000,000 | 99.7% | – | 100% | Investment holding |
| Beijing Golden Bridge Senmeng Media Advertising Company Limited 北京金橋森盟傳媒廣告有限公司 | Beijing, the PRC 6 November 2008 | RMB28,000,000 | 89.7% | – | 90% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |
| Beijing Golden Bridge Yunhan Advertising Company Limited 北京金橋雲漢廣告有限公司 | Beijing, the PRC 19 October 2009 | RMB10,000,000 | 99.7% | – | 100% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |

(Expressed in Renminbi unless otherwise indicated)

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Place and date of incorporation/ establishment | Registered and fully paid capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Beijing Laite Laide Management Consultancy Company Limited 北京萊特萊德管理諮詢有限公司 | Beijing, the PRC 19 October 2009 | RMB5,000,000 | 99.7% | – | 100% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |
| CTV Golden Bridge Advertising Company Limited 中視金橋廣告有限公司 | Shanghai, the PRC 19 January 2010 | RMB50,000,000 | 99.7% | – | 100% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |
| Beijing Bozhiruicheng Information Consultancy Company Limited 北京博智瑞誠信息諮詢有限公司 | Beijing, the PRC 23 November 2010 | RMB25,000,000 | 99.7% | – | 100% | Investment holding |
| Beijing Taihe Ruishi Advertising Company Limited 北京太合瑞視廣告有限公司 | Beijing, the PRC 8 July 2011 | RMB1,000,000 | 99.7% | – | 100% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |
| CTV Golden Bridge Culture Development (Beijing) Company Limited 中視金橋文化發展（北京）有限公司 | Beijing, the PRC 24 November 2011 | RMB30,000,000 | 99.7% | – | 100% | Advertisement design production, agency and publishing services, sales of computer software and ancillary equipment |

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Place and date of incorporation/ establishment | Registered and fully paid capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Beijing Lotour Huicheng Internet Technology Company Limited 北京樂途匯誠網絡技術有限責任公司 | Beijing, the PRC 21 December 2010 | RMB30,841,400 | 70.8% | – | 71% | Provision of nationwide advertising coverage, campaign planning, advertisement production conference service and exhibition design service for advertisers and advertising agents |
| Beijing Lotour Jingweiyou Internet Technology Company Limited 北京樂途京味遊網絡技術有限責任公司 | Beijing, the PRC 16 September 2011 | RMB1,000,000 | 70.8% | – | 71% | Provision of technology promotion, nationwide advertising coverage and campaign planning, advertisement production conference service and exhibition design service for advertisers and advertising agents |
| Hangzhou Sanji Media Company Limited 杭州三基傳媒有限公司 | Hangzhou, the PRC 22 June 2006 | RMB50,930,000 | 75% | – | 75.26% | Provision of information service, production and distribution media production, advertisement production, conference service and exhibition design service for advertisers and advertising agents |

(Expressed in Renminbi unless otherwise indicated)

## 16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

| Name of company | Place and date of incorporation/ establishment | Registered and fully paid capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| Hangzhou Dalei Internet Technology Company Limited 杭州大雷網絡科技有限公司 | Hangzhou, the PRC 9 May 2012 | RMB10,000,000 | 75% | – | 75.26% | Provision of information service, performance and brokerage business management, technology advisory conference service, exhibition design service for advertisers and advertising agents |
| CTV Golden Bridge International Media (Tianjin) Company Limited 中視金橋國際傳媒(天津)有限公司 | Beijing, the PRC 21 August 2013 | RMB20,000,000 | 99.7% | – | 100% | Provision of nationwide advertising coverage, campaign planning, advertisement production services for advertisers and advertising agents and rental owned buildings |
| Golden Bridge Senmeng Advertising (Tianjin) Company Limited 金橋森盟廣告(天津)有限公司 | Beijing, the PRC 27 August 2013 | RMB10,000,000 | 89.7% | – | 90% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |
| Golden Bridge Yunhan Advertising (Tianjin) Company Limited 金橋雲漢廣告(天津)有限公司 | Beijing, the PRC 27 August 2013 | RMB10,000,000 | 99.7% | – | 100% | Provision of nationwide advertising coverage, campaign planning and advertisement production services for advertisers and advertising agents |

## 17. INTEREST IN ASSOCIATES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Unlisted shares, at cost | **—** | — | **33,794** | 34,853 |
| Share of net assets | **39,298** | 52,611 | **—** | — |
| Goodwill | **4,855** | 4,855 | **—** | — |
| | **44,153** | 57,466 | **33,794** | 34,853 |
| Less: impairment loss | **—** | (9,380) | **—** | — |
| | **44,153** | 48,086 | **33,794** | 34,853 |

The following list contains particulars of associates which principally affected the results or assets of the Group:

| Name of company | Place of Incorporation | Paid up capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activities |
|---|---|---|---|---|---|---|
| FoneNet Inc. 風網股份有限公司 | Cayman Islands, 7 July 2004 | USD180,000 | 14.3% | 14.3% | – | Provision of development and production of software; undertake network engineering, technical services, technical training and consulting; sales of own products |
| Guoguang Shengshi Culture and Media (Beijing) Company Limited 國廣盛世文化傳媒(北京)有限公司 | Beijing, the PRC 27 June 2011 | RMB10,000,000 | 48.9% | – | 49% | Provision of nationwide advertising project and coverage, campaign planning, exhibition design service, technical services and consultation, investment management and consulting, property management and marketing planning |

## 17. INTEREST IN ASSOCIATES (CONTINUED)

### (a) FoneNet Inc.

The Company invested in FoneNet Inc. by USD6 million in 2011 and took 14.3% interest in FoneNet Inc. at 31 December 2013. Although the Group owns less than 20% of the voting power of FoneNet Inc., it has significant influence over the financial and operating policies through appointing one of the seven directors on the board.

### (b) Guoguang Shengshi Culture and Media (Beijing) Company Limited ("Guoguang Shengshi")

CTV Golden Bridge Culture Development (Beijing) Company Limited ("Golden Bridge Culture"), a subsidiary controlled by the Group through contractual arrangements, owns 49% of the voting power of Guoguang Shengshi and has significant influence over the financial and operating policies of Guoguang Shengshi. Global Broadcasting Media Group hold 51% equity interest of Guoguang Shengshi.

Summary financial information on associates is as follows:

| | Assets *RMB'000* | Liabilities *RMB'000* | Equity *RMB'000* | Revenue *RMB'000* | Profit *RMB'000* |
|---|---|---|---|---|---|
| **2013** | | | | | |
| 100 per cent | **300,481** | **(172,393)** | **(128,088)** | **245,370** | **27,369** |
| Group's effective interest | **87,151** | **(47,853)** | **(39,298)** | **35,547** | **2,866** |
| **2012** | | | | | |
| 100 per cent | 167,256 | (38,953) | (128,303) | 157,473 | 10,010 |
| Group's effective interest | 68,584 | (15,973) | (52,611) | 64,572 | (1,169) |

## 18. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY

### (a) Other non-current financial assets

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | Note | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Available-for-sale equity securities** | | | | | |
| Ftuan.com | *(i)* | **–** | – | **–** | – |
| CNLive | *(ii)* | **20,000** | 20,000 | **–** | – |
| **Derivative financial assets** | | | | | |
| **Options** | | | | | |
| **FoneNet** | | | | | |
| Conversion option | *(iii)* | **219** | 508 | **219** | 508 |
| Redemption option | *(iv)* | **3,198** | 3,259 | **3,198** | 3,259 |
| **Lotour Huicheng** | | | | | |
| Option to purchase equity interests | *(v)* | **–** | 572 | **–** | – |
| | | **3,417** | 4,339 | **3,417** | 3,767 |
| | | **23,417** | 24,339 | **3,417** | 3,767 |

## 18. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY (CONTINUED)

### (a) Other non-current financial assets (continued)

(i) The Company invested USD3 million on Ftuan.com, a group purchase website, and obtained 2.71% of its equity interests. The Company provided 100% impairment to the investment on Ftuan.com in the year of 2011 due to the losses on Ftuan.com's financial performance. Since Ftuan.com is not expected to make a profit in the next few years, hence no impairment was reversed in 2013.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Original cost | **18,952** | 18,952 | **18,952** | 18,952 |
| Impairment to the investment on Ftuan.com | **(18,952)** | (18,952) | **(18,952)** | (18,952) |
| Carrying value at 31 December 2013 | **—** | — | **—** | — |

(ii) It represents 4.375% equity investment in CNLive, a mobile TV platform and service provider.

(iii) The conversion option represents the right to convert preferred shares to common shares of FoneNet Inc. based on a conversion price determined by the financial performance of FoneNet Inc. according to the agreement signed by the Company and FoneNet Inc. in 2011. The fair value of conversion option is calculated by Black-Scholes Option Pricing model, of which major inputs are based on the management's best estimates of FoneNet Inc.'s financial performance and market related data at the end of reporting period.

(iv) The redemption option represents the right to require FoneNet Inc. to redeem its preferred shares under certain conditions according to the agreement signed by the Company and FoneNet Inc. in 2011. The fair value of redemption option is calculated by Black-Scholes Option Pricing model, of which major inputs are based on the management's best estimates of FoneNet Inc.'s financial performance and market related data at the end of reporting period.

(v) It represents the rights to obtain 5% of interest of Beijing Lotour Huicheng Internet Technology Company Limited ("Lotour Huicheng") based on the financial performance of Lotour Huicheng according to the term in purchase agreement signed by the Group and Beijing Lotour Internet Technology Company Limited. The option to purchase equity interests is measured based on management's best estimates of the financial performance and the discount rate to reflect the specific risks relating to Lotour Huicheng. During the year, the Group purchased the 5% of interest of Lotour Huicheng.

## 18. OTHER FINANCIAL ASSETS AND OTHER FINANCIAL LIABILITY (CONTINUED)

### (a) Other non-current financial assets (continued)

The movements of options during the year are set out below:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| At 31 December 2012 | **4,339** | 10,447 | **3,767** | 6,609 |
| Utilisation of other financial assets in current year | **(752)** | (907) | **—** | — |
| Changes in fair value | **(60)** | (5,201) | **(240)** | (2,842) |
| Exchange adjustment | **(110)** | — | **(110)** | — |
| At 31 December 2013 | **3,417** | 4,339 | **3,417** | 3,767 |

### (b) Other financial liability

Other financial liability as at 31 December 2013 accounted for the present value of the expected consideration to be paid in the year of 2014 for the acquisition of remaining 10% equity interests in Beijing Golden Bridge Senmeng Media Adverting Company Limited ("Golden Bridge Senmeng") based on the financial performance of Golden Bridge Senmeng according to the agreement signed by CTV Golden Bridge International Media Group Company Limited, Beijing Senmeng Media Advertising Company Limited ("Beijing Senmeng") and beneficial owner of Beijing Senmeng in 2010.

The fair value of the expected consideration to be paid is made based on the management's best estimates of the financial performance and the discount rate to reflect the specific risks relating to Golden Bridge Senmeng.

The movements of other financial liability during the year are set out below:

| | The Group |
|---|---|
| | ***RMB'000*** |
| At 31 December 2012 | 12,442 |
| Net changes in fair value of other financial liability | (1,942) |
| **At 31 December 2013** | **10,500** |

## 19. TRADE AND OTHER RECEIVABLES

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2013** | 2012 | **2013** | 2012 |
| | *Note* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Non-current assets** | | | | | |
| Trade and other receivables | | **1,800** | — | **—** | — |
| **Current assets** | | | | | |
| Trade debtors and bills receivable | | **144,272** | 173,979 | **—** | — |
| Less: allowance for doubtful debts | *19(b)* | **(73,475)** | (65,129) | **—** | — |
| | | **70,797** | 108,850 | **—** | — |
| Amounts due from subsidiaries | | **—** | — | **327,206** | 313,361 |
| | | **70,797** | 108,850 | **327,206** | 313,361 |
| Prepayments and deposits to media suppliers | | **230,840** | 308,047 | **—** | — |
| Advances to employees | | **4,981** | 4,474 | **386** | 386 |
| Other debtors and prepayments | *(i)* | **78,249** | 52,238 | **—** | 276 |
| Less: allowance for doubtful debts of other debtors | | **(6,266)** | (4,664) | **—** | — |
| | | **378,601** | 468,945 | **327,592** | 314,023 |
| | | **380,401** | 468,945 | **327,592** | 314,023 |

(i) The balance is mainly consists of input value-added tax to be deducted, prepaid production cost and various deposits.

### (a) Ageing analysis

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:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | **Gross** | **Impairment** | Gross | Impairment |
| | ***RMB'000*** | ***RMB'000*** | *RMB'000* | *RMB'000* |
| Within 3 months | **45,224** | **—** | 84,391 | — |
| 3 to 6 months | **16,671** | **—** | 23,512 | — |
| 6 to 12 months | **8,422** | **—** | 3,390 | 2,571 |
| Over 12 months | **73,955** | **73,475** | 62,686 | 62,558 |
| | **144,272** | **73,475** | 173,979 | 65,129 |

## 19. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Ageing analysis (continued)

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.

The Group's exposure to credit risks related to trade and other receivables are disclosed in note 27.

### (b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

The movement in the allowance for doubtful debts impairment in respect of trade and bills receivable during the year is as follows:

| | **2013** <br> ***RMB'000*** | 2012 <br> *RMB'000* |
|---|---|---|
| Balance at 1 January | **65,129** | 58,216 |
| Additions from acquisition of subsidiaries | **1,603** | — |
| Impairment loss recognised for the period | **8,292** | 7,390 |
| Reversal of impairment loss | **(1,549)** | (469) |
| Uncollectible amounts written off | **—** | (8) |
| Balance at 31 December | **73,475** | 65,129 |

At 31 December 2013, the Group's trade debtors and bills receivable of RMB73,475 thousand (2012: RMB65,129 thousand) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB73,475 thousand (2012: RMB65,129 thousand) were recognised. The Group does not hold any collateral over these balances.

## 19. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

| | **2013** | 2012 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Neither past due nor impaired | **45,224** | 84,391 |
| Less than 6 months past due | **25,032** | 24,212 |
| More than 6 months but less than 12 months past due | **268** | 247 |
| More than 12 months past due | **273** | — |
| Total amount past due | **25,573** | 24,459 |
| | **70,797** | 108,850 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 20. CASH AND CASH EQUIVALENTS

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Cash at bank and on hand | **1,070,106** | 1,442,752 | **23,140** | 8,116 |

## 20. CASH AND CASH EQUIVALENTS (CONTINUED)

### (a) Cash at bank and cash on hand are denominated in

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| RMB | **1,023,771** | 1,425,097 | **—** | — |
| USD | **10,396** | 6,404 | **515** | 1,074 |
| EUR | **1** | 1 | **1** | 1 |
| AUD | **7** | 8 | **7** | 8 |
| SGD | **9,460** | — | **—** | — |
| HKD | **26,471** | 11,242 | **22,617** | 7,033 |
| | **1,070,106** | 1,442,752 | **23,140** | 8,116 |

### (b) Reconciliation of profit before taxation to cash generated from operations:

| | Note | **2013** | 2012 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| Profit before taxation | | **530,495** | 437,092 |
| Adjustments for: | | | |
| Depreciation | *5(c)* | **24,187** | 7,243 |
| Amortisation of intangible assets | *5(c)* | **1,039** | — |
| Impairment loss on interest in associates | | **—** | 9,380 |
| Finance costs | *5(a)* | **351** | 5,201 |
| Finance income | *5(a)* | **(21,823)** | (25,184) |
| Share of profits less losses of associates | | **(3,455)** | 1,169 |
| Net loss/(gain) on sale of property, plant and equipment | | **157** | (11) |
| Equity-settled share-based payment expenses | *23* | **2,739** | 3,904 |
| | | **533,690** | 438,794 |
| Changes in working capital: | | | |
| Decrease in trade and other receivables | | **109,101** | 111,094 |
| (Decrease)/Increase in trade and other payables | | **(738,207)** | 758,083 |
| Cash (used in)/generated from operations | | **(95,416)** | 1,307,971 |

## 21. TRADE AND OTHER PAYABLES

| | Note | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|---|
| Trade payables | (i) | **294,084** | 1,165,772 |
| Payroll and welfare expenses payables | | **22,523** | 17,302 |
| Other tax payables | (ii) | **5,437** | 4,708 |
| Other payables and accrued charges | | **146,598** | 4,135 |
| Dividends payable due to non-controlling interest of a subsidiary | | **1,135** | 1,051 |
| Financial liabilities measured at amortised cost | | **469,777** | 1,192,968 |
| Advances from customers | (iii) | **441,106** | 308,380 |
| | | **910,883** | 1,501,348 |

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

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Due within three months | **241,223** | 406,901 |
| Due after three months but within six months | **15,572** | 116,532 |
| Due after six months but within one year | **37,289** | 642,339 |
| | **294,084** | 1,165,772 |

(ii) Other tax payables mainly comprised surcharges payable and stamp duty payable.

(iii) Advances from customers represented the down-payments received from customers, which are expected to be recognised as revenue within one year.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 27.

## 22. BANK LOANS

At 31 December 2013, the bank loans were repayable as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within one year or on demand | **5,000** | – | **–** | – |

At 31 December 2013, the bank loans were secured as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Secured bank loans | **5,000** | – | **–** | – |

Loans of RMB5,000 thousand as at 31 December 2013, were guaranteed by third party. Current secured bank loans carried annual interest rates ranging from 6.9% to 7.2% for the year ended 31 December 2013.

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

### (a) Pre-IPO Share Option Scheme

On 1 July 2007, the Group granted share options to employees of the Group, including directors of any companies in the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company. The consideration for the acceptance of the option is RMB0.1 per option.

Pursuant to the written resolutions of the directors of the Company passed on 24 April 2008, each of the share option granted was sub-divided into 3.2 share options and the exercise price of share option was divided by 3.2 accordingly. The number and exercise price of share option granted have been retrospectively adjusted for the effects of the share subdivision as if the share option subdivision had took place as at the grant date.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (a) Pre-IPO Share Option Scheme (continued)

*(i) The terms and conditions of the grants that exist during the years are as follows:*

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 1 July 2007 | 4,064,000 | One year's service | 8 years |
| 1 July 2007 | 3,340,000 | Two years' service | 8 years |
| 1 July 2007 | 3,352,000 | Three years' service | 8 years |
| 1 July 2007 | 2,800,000 | Four years' service | 8 years |

*(ii) The number and weighted average exercise prices of share options are as follows:*

| | **2013** | | 2012 | |
|---|---|---|---|---|
| | **Weighted average exercise price** | **Number of options** | Weighted average exercise price | Number of options |
| Outstanding at the beginning of the year | **RMB1.56** | **13,596,000** | RMB1.56 | 14,360,000 |
| Exercised during the year | **RMB1.56** | **40,000** | RMB1.56 | 764,000 |
| Forfeited during the year | **RMB1.56** | **—** | RMB1.56 | — |
| Outstanding at the end of the year | | **13,556,000** | | 13,596,000 |
| Exercisable at the end of the year | | **13,556,000** | | 13,596,000 |

The options outstanding as at 31 December 2013 had an exercise price of RMB1.56 per share and a weighted average remaining contractual life of 1.5 years (2012: 2.5 years).

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (a) Pre-IPO Share Option Scheme (continued)

*(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

| | 1 July 2007 |
|---|---|
| Share price | RMB2.31 |
| Exercise price | RMB1.56 |
| Expected volatility | 34.39% |
| Option life | 8 years |
| Expected dividends | 0.00% |
| Risk-free interest rate | 4.17% |

The expected volatility is based on average implied volatility of comparable companies in the media industry as at 1 July 2007 used in modelling under binomial option pricing model. Expected dividends are based on management estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options are granted under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

During the year ended 31 December 2013, no equity-settled share-based payment expenses (2012: nil) in respect of the Pre-IPO Share Option Scheme were recognised in the consolidated income statements.

### (b) Post-IPO Share Option Scheme

Pursuant to the ordinary resolutions of the shareholders of the Company passed on 27 May 2008, the Company has adopted a share option scheme (the “Post-IPO Scheme”) whereby directors of the Company may, at their discretion, invite any full time employee, director or any person approved by the Board or shareholders of the Company to take up options which entitle them to subscribe for shares of the Company.

Up to 31 December 2013, the Company granted nine tranches of share option under Post-IPO Scheme.

(Expressed in Renminbi unless otherwise indicated)

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (b) Post-IPO Share Option Scheme (continued)

*(i) The terms and conditions of the grants that exist during the years are as follows:*

(1) Post-IPO 1st tranche

On 17 September 2009, the Group granted share options to three independent non-executive directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 3 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 17 September 2009 | 165,000 | On the date of grant | 8 years |
| 17 September 2009 | 165,000 | One year's service | 8 years |
| 17 September 2009 | 165,000 | Two years' service | 8 years |
| 17 September 2009 | 165,000 | Three years' service | 8 years |

(2) Post-IPO 2nd tranche

On 2 July 2010, the Group granted share options to full time employee and two directors of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 2 July 2010 | 3,068,500 | One year's service | 8 years |
| 2 July 2010 | 3,762,500 | Two years' service | 8 years |
| 2 July 2010 | 3,937,500 | Three years' service | 8 years |
| 2 July 2010 | 4,280,000 | Four years' service | 8 years |

### (b) Post-IPO Share Option Scheme (continued)

*(i) The terms and conditions of the grants that exist during the years are as follows: (continued)*

(3) Post-IPO 3rd tranche

On 22 November 2010, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 22 November 2010 | — | One year's service | 8 years |
| 22 November 2010 | — | Two years' service | 8 years |
| 22 November 2010 | — | Three years' service | 8 years |
| 22 November 2010 | 125,000 | Four years' service | 8 years |

(4) Post-IPO 4th tranche

On 6 December 2010, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

(Expressed in Renminbi unless otherwise indicated)

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (b) Post-IPO Share Option Scheme (continued)

(i) *The terms and conditions of the grants that exist during the years are as follows: (continued)*

(4) Post-IPO 4th tranche (continued)

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 6 December 2010 | 198,000 | One year's service | 8 years |
| 6 December 2010 | 225,000 | Two years' service | 8 years |
| 6 December 2010 | 225,000 | Three years' service | 8 years |
| 6 December 2010 | 225,000 | Four years' service | 8 years |

(5) Post-IPO 5th tranche

On 29 August 2011, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 29 August 2011 | 490,000 | One year's service | 8 years |
| 29 August 2011 | 560,000 | Two years' service | 8 years |
| 29 August 2011 | 560,000 | Three years' service | 8 years |
| 29 August 2011 | 560,000 | Four years' service | 8 years |

### (b) Post-IPO Share Option Scheme (continued)

*(i) The terms and conditions of the grants that exist during the years are as follows: (continued)*

(6) Post-IPO 6th tranche

On 9 January 2012, the Group granted share options to full time employee of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 9 January 2012 | 200,000 | One year's service | 8 years |
| 9 January 2012 | 200,000 | Two years' service | 8 years |
| 9 January 2012 | 200,000 | Three years' service | 8 years |
| 9 January 2012 | 200,000 | Four years' service | 8 years |

(7) Post-IPO 7th tranche

On 11 September 2012, the Group granted share options to full time employee and a director of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 11 September 2012 | 390,000 | One year's service | 8 years |
| 11 September 2012 | 465,000 | Two years' service | 8 years |
| 11 September 2012 | 465,000 | Three years' service | 8 years |
| 11 September 2012 | 465,000 | Four years' service | 8 years |

(Expressed in Renminbi unless otherwise indicated)

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (b) Post-IPO Share Option Scheme (continued)

*(i) The terms and conditions of the grants that exist during the years are as follows: (continued)*

(8) Post-IPO 8th tranche

On 12 April 2013, the Group granted share options to full time employee and a director of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 12 April 2013 | 175,000 | One year's service | 8 years |
| 12 April 2013 | 175,000 | Two years' service | 8 years |
| 12 April 2013 | 175,000 | Three years' service | 8 years |
| 12 April 2013 | 175,000 | Four years' service | 8 years |

(9) Post-IPO 9th tranche

On 19 July 2013, the Group granted share options to full time employee and a director of the Group, to subscribe for shares of the Company. Each option entitles the holder to purchase one ordinary share of the Company.

The share options granted vest in instalments over 4 years. Each instalment is accounted for as a separate share-based payment arrangement.

The terms and conditions of the grants that exist during the years are as follows:

| Grant date | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| 19 July 2013 | 430,000 | One year's service | 8 years |
| 19 July 2013 | 470,000 | Two years' service | 8 years |
| 19 July 2013 | 470,000 | Three years' service | 8 years |
| 19 July 2013 | 470,000 | Four years' service | 8 years |

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (b) Post-IPO Share Option Scheme (continued)

*(ii) The number and weighted average exercise prices of share options are as follows:*

| | Post-IPO Option 1st tranche | | Post-IPO Option 2nd tranche | | Post-IPO Option 3rd tranche | | Post-IPO Option 4th tranche | | Post-IPO Option 5th tranche | | Post-IPO Option 6th tranche | | Post-IPO Option 7th tranche | | Post-IPO Option 8th tranche | | Post-IPO Option 9th tranche | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | Average Exercise price | No. of options | No. of options |
| At 1 January 2012 | HKD1.49 | 660,000 | HKD1.84 | 17,820,000 | HKD2.82 | 500,000 | HKD2.88 | 900,000 | HKD2.62 | 2,540,000 | | – | | – | | – | | – | 22,420,000 |
| Granted | | – | | – | | – | | – | | – | HKD2.36 | 1,400,000 | HKD3.22 | 1,860,000 | | – | | – | 3,260,000 |
| Exercised | | – | HKD1.84 | 897,500 | | – | HKD2.88 | 27,000 | | – | | – | | – | | – | | – | 924,500 |
| Lapsed | | – | HKD1.84 | 555,000 | | – | | – | HKD2.62 | 300,000 | HKD2.36 | 600,000 | | – | | – | | – | 1,455,000 |
| At 31 December 2012 | HKD1.49 | 660,000 | HKD1.84 | 16,367,500 | HKD2.82 | 500,000 | HKD2.88 | 873,000 | HKD2.62 | 2,240,000 | HKD2.36 | 800,000 | HKD3.22 | 1,860,000 | | – | | – | 23,300,500 |
| At 1 January 2013 | **HKD1.49** | **660,000** | **HKD1.84** | **16,367,500** | **HKD2.82** | **500,000** | **HKD2.88** | **873,000** | **HKD2.62** | **2,240,000** | **HKD2.36** | **800,000** | **HKD3.22** | **1,860,000** | | **–** | | **–** | **23,300,500** |
| Granted | | **–** | | **–** | | **–** | | **–** | | **–** | | **–** | | **–** | **HKD4.31** | **700,000** | **HKD6.86** | **1,880,000** | **2,580,000** |
| Exercised | | **–** | **HKD1.84** | **1,131,500** | | **–** | | **–** | **HKD2.62** | **70,000** | | **–** | **HKD3.22** | **75,000** | | **–** | | **–** | **1,276,500** |
| Lapsed | | **–** | **HKD1.84** | **187,500** | **HKD2.82** | **375,000** | | **–** | | **–** | | **–** | | **–** | | **–** | **HKD6.86** | **40,000** | **602,500** |
| At 31 December 2013 | **HKD1.49** | **660,000** | **HKD1.84** | **15,048,500** | **HKD2.82** | **125,000** | **HKD2.88** | **873,000** | **HKD2.62** | **2,170,000** | **HKD2.36** | **800,000** | **HKD3.22** | **1,785,000** | **HKD4.31** | **700,000** | **HKD6.86** | **1,840,000** | **24,001,500** |
| Currently exercisable As at 31 December 2013 | **HKD1.49** | **660,000** | **HKD1.84** | **8,588,500** | **HKD2.82** | **–** | **HKD2.88** | **648,000** | **HKD2.62** | **1,050,000** | **HKD2.36** | **200,000** | **HKD3.22** | **390,000** | **HKD4.31** | **–** | | **–** | **11,536,500** |

The options of Post-IPO 1st tranche outstanding as at 31 December 2013 had an exercise price of HKD1.49 per share and a weighted average remaining contractual life of 3.75 years.

The options of Post-IPO 2nd tranche outstanding as at 31 December 2013 had an exercise price of HKD1.84 per share and a weighted average remaining contractual life of 4.5 years.

The options of Post-IPO 3rd tranche outstanding as at 31 December 2013 had an exercise price of HKD2.82 per share and a weighted average remaining contractual life of 4.9 years.

The options of Post-IPO 4th tranche outstanding as at 31 December 2013 had an exercise price of HKD2.88 per share and a weighted average remaining contractual life of 4.95 years.

The options of Post-IPO 5th tranche outstanding as at 31 December 2013 had an exercise price of HKD2.62 per share and a weighted average remaining contractual life of 5.33 years.

The options of Post-IPO 6th tranche outstanding as at 31 December 2013 had an exercise price of HKD2.36 per share and a weighted average remaining contractual life of 6.02 years.

The options of Post-IPO 7th tranche outstanding as at 31 December 2013 had an exercise price of HKD3.22 per share and a weighted average remaining contractual life of 6.69 years.

The options of Post-IPO 8th tranche outstanding as at 31 December 2013 had an exercise price of HKD4.31 per share and a weighted average remaining contractual life of 7.28 years.

The options of Post-IPO 9th tranche outstanding as at 31 December 2013 had an exercise price of HKD6.86 per share and a weighted average remaining contractual life of 7.55 years.

(Expressed in Renminbi unless otherwise indicated)

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (b) Post-IPO Share Option Scheme (continued)

*(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on a binominal lattice model, with following input:

| | Date of grant | Share price at grant date | Exercise price | Expected volatility | Option life (expressed as weighted average life) | Expected dividends | Risk-free interest rate |
|---|---|---|---|---|---|---|---|
| Post-IPO 1st tranche | 17 September 2009 | HKD1.49 | HKD1.49 | 43.77% | 8 years | 2.49% | 2.16% |
| Post-IPO 2nd tranche | 2 July 2010 | HKD1.74 | HKD1.84 | 46.17% | 8 years | 1.61% | 2.09% |
| Post-IPO 3rd tranche | 22 November 2010 | HKD2.82 | HKD2.82 | 45.72% | 8 years | 1.30% | 2.02% |
| Post-IPO 4th tranche | 6 December 2010 | HKD2.88 | HKD2.88 | 45.70% | 8 years | 1.30% | 2.16% |
| Post-IPO 5th tranche | 29 August 2011 | HKD2.60 | HKD2.62 | 41.47% | 8 years | 2.94% | 1.74% |
| Post-IPO 6th tranche | 9 January 2012 | HKD2.36 | HKD2.36 | 42.58% | 8 years | 5.37% | 1.52% |
| Post-IPO 7th tranche | 11 September 2012 | HKD3.22 | HKD3.22 | 43.51% | 8 years | 4.96% | 0.66% |
| Post-IPO 8th tranche | 12 April 2013 | HKD4.31 | HKD4.31 | 44.58% | 8 years | 5.33% | 0.95% |
| Post-IPO 9th tranche | 19 July 2013 | HKD6.68 | HKD6.86 | 45.82% | 8 years | 3.94% | 2.20% |

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected change to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

## 23. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (CONTINUED)

### (b) Post-IPO Share Option Scheme (continued)

*(iii) Fair value of share options and assumptions (continued)*

Share options are granted mainly under a service condition. The condition has not been taken into account in the grant date fair value measurement of the services received. There was no market condition associated with the share option grants.

During the year ended 31 December 2013, equity-settled share-based payment expenses of RMB2,739 thousand (2012: 3,904 thousand) in respect of the Post-IPO Share Option Scheme were recognised in the consolidated income statements.

## 24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents:

| | **2013** *RMB'000* | 2012 *RMB'000* |
|---|---|---|
| **PRC income tax** | | |
| Balance at the beginning of the year | **91,666** | 68,819 |
| Provision for the year | **158,909** | 132,971 |
| Tax paid | **(167,012)** | (110,124) |
| **Balance of tax provision at the end of the year** | **83,563** | 91,666 |

## 24. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

### (b) Deferred tax assets and liabilities recognised:

*(i) The Group*

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

| Deferred tax arising from | Accrued expenses RMB'000 | Tax loss carry-forwards RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2012 | (3,429) | (214) | (3,643) |
| Charged/(credited) to profit or loss | (204) | (1,299) | (1,503) |
| At 31 December 2012 | (3,633) | (1,513) | (5,146) |
| At 1 January 2013 | **(3,633)** | **(1,513)** | **(5,146)** |
| Additions from acquisition of subsidiaries | **-** | **(6,456)** | **(6,456)** |
| Charged/(credited) to profit or loss | **121** | **(222)** | **(101)** |
| At 31 December 2013 | **(3,512)** | **(8,191)** | **(11,703)** |

*(ii) Reconciliation to the statements of financial position*

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Net deferred tax asset recognised on the statement of consolidated financial position | **(11,703)** | (5,146) |

### (c) Deferred tax assets and liabilities not recognised:

At 31 December 2013, temporary differences relating to the undistributed retained earnings of PRC subsidiaries amounted to RMB875,414 thousand (2012: RMB659,234 thousand). Deferred tax liability of RMB87,279 thousand (2012: RMB65,726 thousand) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that those retained earnings are not likely to be distributed in the foreseeable future.

## 25. CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's reserves is set out in the Consolidated Statement of Changes in Equity. Details of the changes in the Company's individual components of reserves between the beginning and the end of the year are set out below:

| | Share capital RMB'000 (note 25(c)) | Share premium RMB'000 | Capital redemption reserve RMB'000 | Capital reserve RMB'000 (note 25(d)) | Translation reserve RMB'000 (note 25(d)) | Retained profits RMB'000 (note 25(d)) | Total RMB'000 |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2012** | 171 | 469,209 | 21 | 32,331 | (48,078) | 102,545 | 556,199 |
| Changes in equity for 2012: | | | | | | | |
| Equity-settled share-based transactions (note 23) | – | – | – | 3,904 | – | – | 3,904 |
| Exercise of share option | 1 | 3,764 | – | (1,263) | – | – | 2,502 |
| Purchase of own shares | (1) | – | 1 | – | – | (7,346) | (7,346) |
| Dividends | – | – | – | – | – | (96,546) | (96,546) |
| Total comprehensive income for the year | – | – | – | – | 591 | 125,632 | 126,223 |
| **Balance at 31 December 2012** | **171** | **472,973** | **22** | **34,972** | **(47,487)** | **124,285** | **584,936** |
| Changes in equity for 2013: | | | | | | | |
| Equity-settled share-based transactions (note 23) | **–** | **–** | **–** | **2,739** | **–** | **–** | **2,739** |
| Exercise of share option | **1** | **12,240** | **–** | **(10,042)** | **–** | **–** | **2,199** |
| Purchase of own shares | **–** | **–** | **–** | **–** | **–** | **–** | **–** |
| Dividends | **–** | **–** | **–** | **–** | **–** | **(119,453)** | **(119,453)** |
| Total comprehensive income for the year | **–** | **–** | **–** | **–** | **(18,922)** | **166,156** | **147,234** |
| **Balance at 31 December 2013** | **172** | **485,213** | **22** | **27,669** | **(66,409)** | **170,988** | **617,655** |

## 25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (b) Dividends

*(i) Dividends payable to equity shareholders of the Company attributable to the year*

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| Final dividend proposed after the end of reporting period date of approximately RMB13.01 cents per ordinary share (2012: approximately RMB10.9 cents per ordinary share) | **73,033** | 60,653 |
| Special dividend proposed after the end of reporting period date of approximately RMB13.01 cents per ordinary share (2012: approximately RMB10.9 cents per ordinary share) | **73,033** | 60,653 |
| | **146,066** | 121,306 |

Pursuant to a resolution passed at the Director's meeting on 20 March 2014, a final dividend of HKD16.48 cents per share and a special dividend of HKD16.48 cents per share in respect of the year ended 31 December 2013 totalling of 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 HKD185,001 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.

*(ii) Dividends payable to equity shareholders of the Group attributable to the previous financial year approved during the year*

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* |
|---|---|---|
| Dividends to equity shareholders of the Company | **119,453** | 96,546 |
| Dividends to non-controlling interest of a subsidiary | **585** | 405 |
| | **120,038** | 96,951 |

## 25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (b) Dividends (continued)

*(ii) Dividends payable to equity shareholders of the Group attributable to the previous financial year approved during the year (continued)*

Pursuant to the board resolutions dated 23 May 2013, the Company declared dividends at an aggregate amount of HKD150,068 thousand (equivalent to approximately RMB119,453 thousand at an exchange rate of 0.79599) to the equity shareholders from the distributable reserve. Such dividends were fully paid in June 2013.

### (c) Share capital

*(i) Authorised and issued share capital*

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | No. of ordinary shares | Nominal value of ordinary shares *HKD* | No. of ordinary shares | Nominal value of ordinary shares *HKD* |
| **Authorised:** | | | | |
| At 1 January and 31 December | **1,800,000,000** | **562,500** | 1,800,000,000 | 562,500 |
| **Ordinary shares, issued and fully paid:** | | | | |
| At 1 January | **555,685,900** | **173,652** | 557,025,400 | 174,070 |
| Shares issued under share option scheme | **5,603,470** | **1,751** | 1,688,500 | 528 |
| Purchase of own shares | **–** | **–** | (3,028,000) | (946) |
| At 31 December | **561,289,370** | **175,403** | 555,685,900 | 173,652 |
| RMB equivalent | | **172,425** | | 171,032 |

## 25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital (continued)

*(ii) Purchase of own shares*

During the year, the Company did not repurchase any of its own ordinary shares on The Stock Exchange of Hong Kong Limited.

*(iii) Shares issued under share option scheme*

In April 2013 to July 2013 and September 2013 to December 2013, options were exercised to subscribe for 5,603,470 ordinary shares in the Company at a consideration of RMB2,199 thousand of which RMB1 thousand was credited to share capital, the balance of RMB12,240 thousand was credited to the share premium account and RMB10,042 thousand has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(r)(ii).

*(iv) Terms of unexpired and unexercised share options at the end of reporting period*

(1) Pre-IPO Scheme

A pre-IPO share options holder may exercise a maximum of 25% of the total number of the pre-IPO share options granted after the elapse of 365 days from the acceptance of the pre-IPO share options. Subsequently, for every full year of continuous service with the Company, the holder may exercise a maximum of another 25% of the total number of the pre-IPO share options granted, up to eight years from the date on which the pre-IPO share options are granted.

Exercisable period of the pre-IPO share options granted to employees of the Group commences on 8 January 2009 and expires on a date ranging from 3 July 2015 to 6 March 2016 (depending on their respective date of grant of the option), subject to the vesting requirement mentioned above.

At 31 December 2013, there were 13,556,000 unexercised pre-IPO share options (2012: 13,596,000) at an exercise price of RMB1.56.

(2) Post-IPO Scheme

The Company has adopted share option schemes on 27 May 2008 (the "Post-IPO Scheme").

## 25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital (continued)

*(iv) Terms of unexpired and unexercised share options at the end of reporting period (continued)*

(2) Post-IPO Scheme (continued)

| Exercise period | Exercise price | 2013 Number | 2012 Number |
|---|---|---|---|
| 17 September 2009 to 16 September 2017 | HKD1.49 | **165,000** | 165,000 |
| 17 September 2010 to 16 September 2017 | HKD1.49 | **165,000** | 165,000 |
| 17 September 2011 to 16 September 2017 | HKD1.49 | **165,000** | 165,000 |
| 17 September 2012 to 16 September 2017 | HKD1.49 | **165,000** | 165,000 |
| 2 July 2011 to 1 July 2018 | HKD1.84 | **4,835,000** | 4,835,000 |
| 2 July 2012 to 1 July 2018 | HKD1.84 | **4,835,000** | 4,835,000 |
| 2 July 2013 to 1 July 2018 | HKD1.84 | **4,835,000** | 4,835,000 |
| 2 July 2014 to 1 July 2018 | HKD1.84 | **4,835,000** | 4,835,000 |
| 22 November 2011 to 21 November 2018 | HKD2.82 | **325,000** | 325,000 |
| 22 November 2012 to 21 November 2018 | HKD2.82 | **325,000** | 325,000 |
| 22 November 2013 to 21 November 2018 | HKD2.82 | **325,000** | 325,000 |
| 22 November 2014 to 21 November 2018 | HKD2.82 | **325,000** | 325,000 |
| 6 December 2011 to 5 December 2018 | HKD2.88 | **265,000** | 265,000 |
| 6 December 2012 to 5 December 2018 | HKD2.88 | **265,000** | 265,000 |
| 6 December 2013 to 5 December 2018 | HKD2.88 | **265,000** | 265,000 |
| 6 December 2014 to 5 December 2018 | HKD2.88 | **265,000** | 265,000 |
| 29 August 2012 to 28 August 2019 | HKD2.62 | **635,000** | 635,000 |
| 29 August 2013 to 28 August 2019 | HKD2.62 | **635,000** | 635,000 |
| 29 August 2014 to 28 August 2019 | HKD2.62 | **635,000** | 635,000 |
| 29 August 2015 to 28 August 2019 | HKD2.62 | **635,000** | 635,000 |
| 9 January 2013 to 8 January 2020 | HKD2.36 | **350,000** | 350,000 |
| 9 January 2014 to 8 January 2020 | HKD2.36 | **350,000** | 350,000 |
| 9 January 2015 to 8 January 2020 | HKD2.36 | **350,000** | 350,000 |
| 9 January 2016 to 8 January 2020 | HKD2.36 | **350,000** | 350,000 |
| 11 September 2013 to 10 September 2020 | HKD3.22 | **465,000** | 465,000 |
| 11 September 2014 to 10 September 2020 | HKD3.22 | **465,000** | 465,000 |
| 11 September 2015 to 10 September 2020 | HKD3.22 | **465,000** | 465,000 |
| 11 September 2016 to 10 September 2020 | HKD3.22 | **465,000** | 465,000 |
| 12 April 2014 to 11 April 2021 | HKD4.31 | **175,000** | – |
| 12 April 2015 to 11 April 2021 | HKD4.31 | **175,000** | – |
| 12 April 2016 to 11 April 2021 | HKD4.31 | **175,000** | – |
| 12 April 2017 to 11 April 2021 | HKD4.31 | **175,000** | – |
| 19 July 2014 to 18 July 2021 | HKD6.86 | **470,000** | – |
| 19 July 2015 to 18 July 2021 | HKD6.86 | **470,000** | – |
| 19 July 2016 to 18 July 2021 | HKD6.86 | **470,000** | – |
| 19 July 2017 to 18 July 2021 | HKD6.86 | **470,000** | – |
| | | **30,740,000** | 28,160,000 |

## 25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital (continued)

*(iv) Terms of unexpired and unexercised share options at the end of reporting period (continued)*

(2) Post-IPO Scheme (continued)

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 23 to the financial statements.

At 31 December 2013, there were 24,001,500 unexercised post-IPO share options (2012: 23,300,500).

### (d) Nature and purpose of reserves

*(i) Share premium and capital redemption reserve*

The application of the share premium account and the capital redemption serve is governed by Sections 48B and 49H respectively of the Hong Kong Companies Ordinance.

*(ii) Capital reserve*

The capital reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and directors of the Group that has been recognised in accordance with the accounting policy adopted for equity-settled share-based transactions in note 1(r)(ii).

*(iii) Statutory reserve*

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to transfer 10% of their profit after income tax (after offsetting prior year's losses, if applicable) to statutory reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to equity holders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

*(iv) Translation reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements presented in any currencies other than RMB which are dealt with in accordance with the accounting policies as set out in note 1(v).

## 25. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (d) Nature and purpose of reserves (continued)

*(v) Other reserves*

Other reserves comprises the following parts:

- the offsetting entry of the present value of the expected consideration to be paid for the acquisition of the non-controlling interests of a subsidiary; and
- the difference between the carrying amount of the net assets received and the consideration paid, as a result of the reorganization during which the Company acquired subsidiaries from the ultimate controlling shareholders of the Group in 2006 and 2007.

*(vi) Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

(Expressed in Renminbi unless otherwise indicated)

## 26. ACQUISITION OF SUBSIDIARIES

The Group acquired the equity interests of the following entities during the year ended 31 December 2013. The fair values of net identifiable assets of the acquirees are determined based on the valuation carried out by a qualified independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

From the date of acquisition to 31 December 2013, these acquirees contributed revenue of RMB6,278 thousand and net loss of RMB275 thousand.

| Name of company | Voting right | Date of acquisition | Principal activities |
|---|---|---|---|
| Hangzhou Sanji Media Company Limited 杭州三基傳媒有限公司 | 75.26% | 30 September 2013 | Provision of information service, production and distribution media production, advertisement production, conference service and exhibition design service for advertisers and advertising agents |
| Beijing Lotour Huicheng Internet Technology Company Limited 北京樂途匯誠網絡技術有限責任公司 | 71% | 30 September 2013 | Provision of nationwide advertising coverage, campaign planning, advertisement production, conference service and exhibition design service for advertisers and advertising agents |

## 26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Details of the effects from these acquisitions on the Group's assets and liabilities as at the date of acquisition are as follows:

### (a) Acquisition of Hangzhou Sanji Media Company Limited ("Hangzhou Sanji")

On 30 September 2013, the Group obtained the control of Hangzhou Sanji by acquiring its 75.26% equity interests for a total cash consideration of RMB49,890 thousand.

The acquisition of Hangzhou Sanji had the following effects on the Group's assets and liabilities as at the date of acquisition:

| | Pre-acquisition carrying amount *RMB'000* | Fair value adjustment *RMB'000* | Recognised values on acquisition *RMB'000* |
|---|---|---|---|
| Fixed assets | 4,217 | 230 | 4,447 |
| Intangible assets | — | 28,000 | 28,000 |
| Cash and cash equivalents | 10,529 | — | 10,529 |
| Trade and other receivables | 11,601 | (1,150) | 10,451 |
| Trade and other payables | (8,650) | — | (8,650) |
| Net identifiable assets | 17,697 | 27,080 | 44,777 |
| Non-controlling interests arising on business combination | | | (11,078) |
| Goodwill arising on acquisition | | | 16,191 |
| Total purchase consideration | | | 49,890 |
| Satisfied by: | | | |
| Consideration payable | | | 14,151 |
| Cash paid | | | 35,739 |
| Net cash outflow in respect of the acquisitions | | | 49,890 |
| Cash flow in respect of the acquisition: | | | |
| Cash paid by the Group | | | |
| in the year of 2012 | | | 22,869 |
| in the year of 2013 | | | 12,870 |
| Cash paid by the Group | | | 35,739 |
| Less: Cash acquired | | | (10,529) |
| Net cash outflow in respect of the acquisitions | | | 25,210 |

## 26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (b) Acquisition of Lotour Huicheng

On 30 September 2013, the Group acquired 39.87% of the shares and voting interests in Lotour Huicheng. As a result, the Group's equity interest in Lotour Huicheng increased from 31.13% to 71% and obtained control of Lotour Huicheng.

The acquisition of Lotour Huicheng had the following effects on the Group's assets and liabilities as at the date of acquisition:

| | Pre-acquisition carrying amount *RMB'000* | Fair value adjustment *RMB'000* | Recognised values on acquisition *RMB'000* |
|---|---|---|---|
| Fixed assets | 2,601 | (421) | 2,180 |
| Intangible assets | 5,922 | 5,365 | 11,287 |
| Cash and cash equivalents | 11,570 | — | 11,570 |
| Trade and other receivables | 10,108 | — | 10,108 |
| Deferred tax assets | 6,456 | — | 6,456 |
| Trade and other payables | (15,816) | — | (15,816) |
| Bank loans | (8,000) | — | (8,000) |
| Net identifiable assets | 12,841 | 4,944 | 17,785 |
| Non-controlling interests arising on business combination | | | (5,157) |
| Goodwill arising on acquisition | | | 7,453 |
| Total purchase consideration | | | 20,081 |
| Satisfied by: | | | |
| Fair value of pre-existing interest in subsidiary | | | 7,055 |
| Cash paid | | | 13,026 |
| Total purchase consideration | | | 20,081 |
| Net cash outflow in respect of the acquisitions | | | 13,026 |
| Cash flow in respect of the acquisition: | | | |
| Cash paid by the Group | | | 13,026 |
| Less: Cash acquired | | | (11,570) |
| Net cash outflow in respect of the acquisitions | | | 1,456 |

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are normally due within 90 days from the date of billing. Debtors with overdue balances are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 0.00% (2012: 0.00%) and 5.17% (2012: 4.86%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without taking account of any collateral is represented by the carrying amount of trade and other receivables in the statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

### (b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity risk (continued)

The following tables show the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows at the earliest date the Group and the Company can be required to pay:

**The Group**

| | **2013** | | | | | |
|---|---|---|---|---|---|---|
| | **Contractual undiscounted cash outflow** | | | | | |
| | **Within 1 year or on demand** | **More than 1 year but less than 2 years** | **More than 2 years but less than 5 years** | **More than 5 years** | **Total** | **Carrying amount** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Trade and other payables* | **470,778** | **—** | **—** | **—** | **470,778** | **470,778** |
| Other financial liability | **10,949** | **—** | **—** | **—** | **10,949** | **10,500** |

| | 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Contractual undiscounted cash outflow | | | | | |
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables* | 1,192,968 | — | — | — | 1,192,968 | 1,192,968 |
| Other non-current financial liability | — | — | 13,214 | — | 13,214 | 12,442 |

* Excludes advances from customers

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Liquidity risk (continued)

**The Company**

| | 2013 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables | **2,336** | **—** | **—** | **—** | **2,336** | **2,336** |

| | 2012 Contractual undiscounted cash outflow | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 year or on demand | More than 1 year but less than 2 years | More than 2 years but less than 5 years | More than 5 years | Total | Carrying amount |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade and other payables | 2,763 | — | — | — | 2,763 | 2,763 |

### (c) Currency risk

*(i) Forecast transactions*

The Group is exposed to currency risk primarily through trade and other receivables, trade and other payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Euros, United State dollars, and Australian dollars.

The Group did not hedge its foreign currency exposure other than by retaining its foreign currency denominated earnings and receipts to the extent permitted by the State Administration of Foreign Exchange.

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Currency risk (continued)

*(ii) Recognised assets and liabilities*

In respect of trade and other receivables, trade and other payables denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

*(iii) Exposure to currency risk*

The following table details the Group's and the Company's exposure at the end of reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2013** | 2012 | **2013** | 2012 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Trade and other receivables | | | | |
| —in USD | **—** | — | **—** | — |
| —in RMB | **—** | — | **323,955** | 312,593 |
| —in HKD | **935** | 2,397 | **—** | — |
| —in SGD | **—** | — | **—** | — |
| Cash and cash equivalents | | | | |
| — in USD | **10,396** | 6,404 | **515** | 1,074 |
| — in EUR | **1** | 1 | **1** | 1 |
| — in AUD | **7** | 8 | **7** | 8 |
| — in SGD | **9,460** | — | **—** | — |
| Trade and other payables | | | | |
| — in USD | **(1,917)** | (2,314) | **(1,227)** | (1,906) |
| — in RMB | **—** | — | **(417)** | (450) |
| — in HKD | **(592)** | (6) | **—** | — |
| Gross exposure | **18,290** | 6,490 | **322,834** | 311,320 |

# 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

## (c) Currency risk (continued)

### *(iii) Exposure to currency risk (continued)*

The following significant exchange rates applied during the year:

| RMB | Average rate 2013 | Average rate 2012 | Reporting date spot rate 2013 | Reporting date spot rate 2012 |
|---|---|---|---|---|
| HKD | **0.7985** | 0.8109 | **0.7862** | 0.8109 |
| USD | **6.1912** | 6.2932 | **6.0969** | 6.2855 |
| AUD | **5.9832** | 6.4728 | **5.4301** | 6.5363 |
| EUR | **8.3682** | 8.2401 | **8.4189** | 8.3176 |
| SGD* | **4.9387** | N/A | **4.7845** | N/A |

* SinoMedia Global Pte. Ltd., the subsidiary of the Company, was founded on 7 August 2013 in Singapore.

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Currency risk (continued)

*(iv) Sensitivity analysis*

The following table indicates the instantaneous change in the Group's profit after tax (and retained earnings) that would arise if foreign exchange rates to which the Group has significant exposure at the end of reporting period had changed at that date, assuming all other risk variable remained constant.

**The Group**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained earnings *RMB'000* | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained earnings *RMB'000* |
| USD | **10%** | **636** | 10% | 409 |
| | **(10%)** | **(636)** | (10%) | (409) |
| AUD | **10%** | **1** | 10% | 1 |
| | **(10%)** | **(1)** | (10%) | (1) |
| EUR | **10%** | **0.1** | 10% | 0.1 |
| | **(10%)** | **(0.1)** | (10%) | (0.1) |
| HKD | **10%** | **2,011** | 10% | 239 |
| | **(10%)** | **(2,011)** | (10%) | (239) |
| SGD | **10%** | **709** | 10% | — |
| | **(10%)** | **(709)** | (10%) | — |

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (c) Currency risk (continued)

*(iv) Sensitivity analysis (continued)*

**The Company**

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained earnings *RMB'000* | Increase/ (decrease) in foreign exchange rates | Effect on profit after tax and retained earnings *RMB'000* |
| USD | **10%** | **71** | 10% | (83) |
| | **(10%)** | **(71)** | (10%) | 83 |
| AUD | **10%** | **1** | 10% | 1 |
| | **(10%)** | **(1)** | (10%) | (1) |
| EUR | **10%** | **0.1** | 10% | 0.1 |
| | **(10%)** | **(0.1)** | (10%) | (0.1) |
| RMB | **10%** | **32,301** | 10% | 31,214 |
| | **(10%)** | **(32,301)** | (10%) | (31,214) |
| SGD | **10%** | **0.01** | 10% | — |
| | **(10%)** | **(0.01)** | (10%) | — |

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2012.

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (d) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities (see note 18).

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

### (e) Fair value measurement

*(i) Financial instruments carried at fair value*

The following table presents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Fair value measurement (continued)

*(i) Financial instruments carried at fair value (continued)*

**The Group**

| | Fair value at 31 December 2013 *RMB'000* | Fair value measurement as at 31 December 2013 categorised into Level 1 *RMB'000* | Level 2 *RMB'000* | Level 3 *RMB'000* |
|---|---|---|---|---|
| **Assets** | | | | |
| Other non-current financial assets | | | | |
| — Available-for-sale equity securities | 20,000 | — | — | 20,000 |
| —Redemption option | 3,198 | — | — | 3,198 |
| —Conversion option | 219 | — | — | 219 |
| **Liability** | | | | |
| Other financial liability | 10,500 | — | — | 10,500 |

## 27. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

### (e) Fair value measurement (continued)

*(i) Financial instruments carried at fair value (continued)*

**The Group**

| | Fair value at 31 December 2012 RMB'000 | Fair value measurement as at 31 December 2012 categorised into Level 1 RMB'000 | Level 2 RMB'000 | Level 3 RMB'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Other non-current financial assets | | | | |
| — Available-for-sale equity securities | **20,000** | **—** | **—** | **20,000** |
| — Redemption option | **3,259** | **—** | **—** | **3,259** |
| — Conversion option | **508** | **—** | **—** | **508** |
| — Other option | **572** | **—** | **—** | **572** |
| **Liability** | | | | |
| Other non-current financial liability | **12,442** | **—** | **—** | **12,442** |

During the years ended 2013 and 2012, there were no transfers between instruments in Level 1 and Level 2.

The movement during the year in the balance of Level 3 fair value measurements is disclosed in note 18.

*(ii) Fair value of financial instruments carried at other than fair value*

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2013 and 2012.

## 28. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Capital commitment

Capital commitment outstanding at 31 December 2013 not provided for in the financial statements is as follows:

| | **2013** <br> ***RMB'000*** | 2012 <br> *RMB'000* |
|---|---|---|
| Contracted for | – | 341,246 |

### (b) Operating commitments

As at 31 December 2013, non-cancellable rentals payable by the Group are as follows:

| | **2013** <br> ***RMB'000*** | 2012 <br> *RMB'000* |
|---|---|---|
| Within one year | **3,477** | 7,279 |
| After one year but within five years | **1,233** | 1,007 |
| Total | **4,710** | 8,286 |

As at the reporting date, non-cancellable contracts for purchasing advertisement resources payable by the Group are as follows:

| | **2013** <br> ***RMB'000*** | 2012 <br> *RMB'000* |
|---|---|---|
| Within one year | **97,295** | 111,047 |
| After one year but within five years | – | 244 |
| Total | **97,295** | 111,291 |

### (c) Contingent liabilities

As at 31 December 2013, the Group and the Company did not have any significant contingent liabilities.

## 29. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with the ultimate controlling shareholder of the Group

The Group had the following transactions with the ultimate controlling shareholder of the Group that were carried out in the normal course of business:

| | *Note* | **2013** **RMB'000** | 2012 *RMB'000* |
|---|---|---|---|
| Rental of office | *(i)* | **675** | 972 |

(i) Golden Bridge Senmeng rented the office in Xinzhou Commercial Building from Ms. Liu Jinlan, the ultimate controlling shareholder of the Group, at a price of RMB675 thousand for the period from 1 January 2013 to 10 September 2013 and a price of RMB972 thousand for the year ended 31 December 2012.

### (b) Transactions with other related parties

| | *Note* | **2013** **RMB'000** | 2012 *RMB'000* |
|---|---|---|---|
| Rental of office | *(i)* | **650** | 650 |

(i) CTV Golden Bridge International Media Group Company Limited, a subsidiary of the Company, rented an office from Shanghai CTV Golden Bridge International Culture and Communication Company Limited, which was effectively controlled by the ultimate controlling shareholder of the Group for the period from 1 January 2013 to 31 December 2013 at a price of RMB650 thousand per annual. The amount of rent charged under the lease was determined with reference to amounts charged by Shanghai CTV Golden Bridge International Culture and Communication Company Limited to third parties.

## 29. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Outstanding balance with related parties

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Rental of office | **722** | 706 |

The balance represents non-cancellable rentals payable by the Group to Shanghai CTV Golden Bridge International Culture and Communication Company Limited for the rentals of 2013.

### (d) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

| | 2013 RMB'000 | 2012 RMB'000 |
|---|---|---|
| Short-term employee benefits | **6,112** | 6,432 |
| Equity-settled share-based transactions | **255** | 420 |
| | **6,367** | 6,852 |

Total remuneration is included in "Personnel expenses" (see note 5(b)).

## 30. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed dividends payable to equity shareholders of the Company. Further details are disclosed in note 25(b).

On 27 December 2013, the Group reached an agreement with a third party to sell the 4.375% investment in CNLive with a consideration of RMB52,500 thousand. The carrying amount of the investment in CNLive as at 31 December 2013 was RMB20,000 thousand. The transaction has been completed in March 2014.

## 31. ULTIMATE HOLDING COMPANY

At 31 December 2013, the directors of the Company consider the parent and the ultimate holding company to be Golden Bridge International Culture Limited and Golden Bridge International Advertising Holdings Limited respectively, both of which are incorporated in Cayman Islands. These two entities do not produce financial statements available for public use.

(Expressed in Renminbi unless otherwise indicated)

## 32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these financial statements, the IASB has issued a few amendments and a new standard which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| Amendments to IAS 32, *Offsetting financial assets and financial liabilities* | 1 January 2014 |
| Amendments to IAS 39, *Novation of derivatives and continuation of hedge accounting* | 1 January 2015 |
| IFRS 9, *Financial instruments* | 1 January 2015 |

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

### IFRS 9 *Financial Instruments* (2010), IFRS 9 *Financial Instruments* (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

# Five Year Summary

(Expressed in Renminbi)

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* | 2011<br>*RMB'000* | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|---|---|---|
| **Results** | | | | | |
| Revenue | **1,767,036** | 1,642,113 | 1,617,800 | 1,373,173 | 766,804 |
| Profit from operations | **506,131** | 419,672 | 352,292 | 208,979 | 120,907 |
| Net finance income | **20,909** | 18,589 | 16,340 | 13,554 | 5,646 |
| Share of profit/(loss) of associates | **3,455** | (1,169) | (7,169) | (584) | (259) |
| Profit before taxation | **530,495** | 437,092 | 361,463 | 221,949 | 126,294 |
| Income tax | **(158,808)** | (131,468) | (119,132) | (55,598) | (37,407) |
| Profit for the year | **371,687** | 305,624 | 242,331 | 166,351 | 88,887 |
| Attributable to: | | | | | |
| Equity shareholders of the Company | **369,108** | 302,591 | 238,945 | 158,064 | 97,245 |
| Non-controlling interests | **2,579** | 3,033 | 3,386 | 8,287 | (8,358) |
| Profit for the year | **371,687** | 305,624 | 242,331 | 166,351 | 88,887 |
| **Assets and liabilities** | | | | | |
| Property, plant and equipment | **219,393** | 53,253 | 56,229 | 54,601 | 57,062 |
| Investment property | **704,159** | 3,766 | 3,899 | — | — |
| Intangible assets | **38,336** | — | — | — | — |
| Goodwill | **23,644** | — | — | — | — |
| Prepayments | **—** | 792,869 | 230,000 | — | — |
| Interest in associates | **44,153** | 48,086 | 47,722 | 6,000 | 584 |
| Other non-current financial assets | **23,417** | 24,339 | 30,447 | — | 11,031 |
| Deferred tax assets | **11,703** | 5,146 | 3,643 | 8,748 | 9,779 |
| Trade and other receivables | **1,800** | — | — | — | — |
| Net current assets | **438,761** | 318,683 | 667,539 | 804,393 | 683,952 |
| Total assets less current liabilities | **1,505,366** | 1,246,142 | 1,039,479 | 873,742 | 762,408 |
| Deferred tax liability | **—** | — | — | (4,041) | (2,315) |
| Other non-current financial liability | **—** | (12,442) | (14,245) | (13,657) | (18,155) |
| **NET ASSETS** | **1,505,366** | 1,233,700 | 1,025,234 | 856,044 | 741,938 |

# Five Year Summary

(Expressed in Renminbi)

| | 2013<br>*RMB'000* | 2012<br>*RMB'000* | 2011<br>*RMB'000* | 2010<br>*RMB'000* | 2009<br>*RMB'000* |
|---|---|---|---|---|---|
| **Capital and reserves** | | | | | |
| Share capital | **172** | 171 | 171 | 174 | 173 |
| Reserves | **1,477,978** | 1,224,542 | 1,018,704 | 848,966 | 736,300 |
| Total equity attributable to equity shareholders of the Company | **1,478,150** | 1,224,713 | 1,018,875 | 849,140 | 736,473 |
| Non-controlling interests | **27,216** | 8,987 | 6,359 | 6,904 | 5,465 |
| **TOTAL EQUITY** | **1,505,366** | 1,233,700 | 1,025,234 | 856,044 | 741,938 |
| **Earnings per share** | | | | | |
| Basic earnings per share (RMB) | **0.661** | 0.544 | 0.424 | 0.279 | 0.172 |
| Diluted earnings per share (RMB) | **0.636** | 0.532 | 0.419 | 0.278 | 0.172 |

SinoMedia®

中視金橋國際傳媒控股有限公司
SinoMedia Holding Limited

(incorporated in Hong Kong with limited liability)

（於香港註冊成立之有限公司）