MODERN MEDIA HOLDINGS LIMITED ANNUAL REPORT 2016

現代傳播控股有限公司 2016 年 年報

Stock Code:72

CONTENTS

Into the Media


Modern Media

Our newly-built offices in Shanghai were designed by the famous Japanese artist Kohei Nawa. Basing his design on the theme “into the media” he has created a twenty-first century media space.

“In this era of information proliferation, the internet is like a boundless ocean of information resource, in which endless data accumulates and fans out like a whirlpool. As information sharing and instant communications cross national borders, age, ethnicity, and religious beliefs, a rich plurality of media and outlets is flourishing. Modern Media is a major player in this field and continues to use new technology and new thinking to promote culture and the arts. Behind this lie the creation, editing and distribution of countless information whirlpools. So grounded in the expressive power of modern visual arts, I created this great media platform workspace—the Modern Art Base.”

The space was originally an old disused factory and holds many memories of the nation’s history and of urban changes. The media always walk towards the future, so here history and the present coincide, as if confronting each other in the intersection of space and time and stimulating new creativity.

最近剛新裝的上海新辦公室是由日本著名藝術家明和晃平設計。他的設計理念是走進媒體: Into the Media——打造21世紀的媒體空間。

“在當今信息蜂擁的時代，網絡如同一個浩瀚的信息資源海洋，無數的數據疊加、延伸，猶如漩渦。信息分享和實時互通跨越了國界、年齡、種族和信仰，豐富的多元化媒介和媒體因此蓬勃發展。Modern Media作為這一行業的佼佼者，不斷以新技術、新思維從事文化及藝術推廣的傳播。在這背後是無數個信息漩渦的創作、整理和發散。因此我以現代視覺藝術的表現力為核心，創作了這個龐大的媒體平台工作空間——現代藝術基地。”

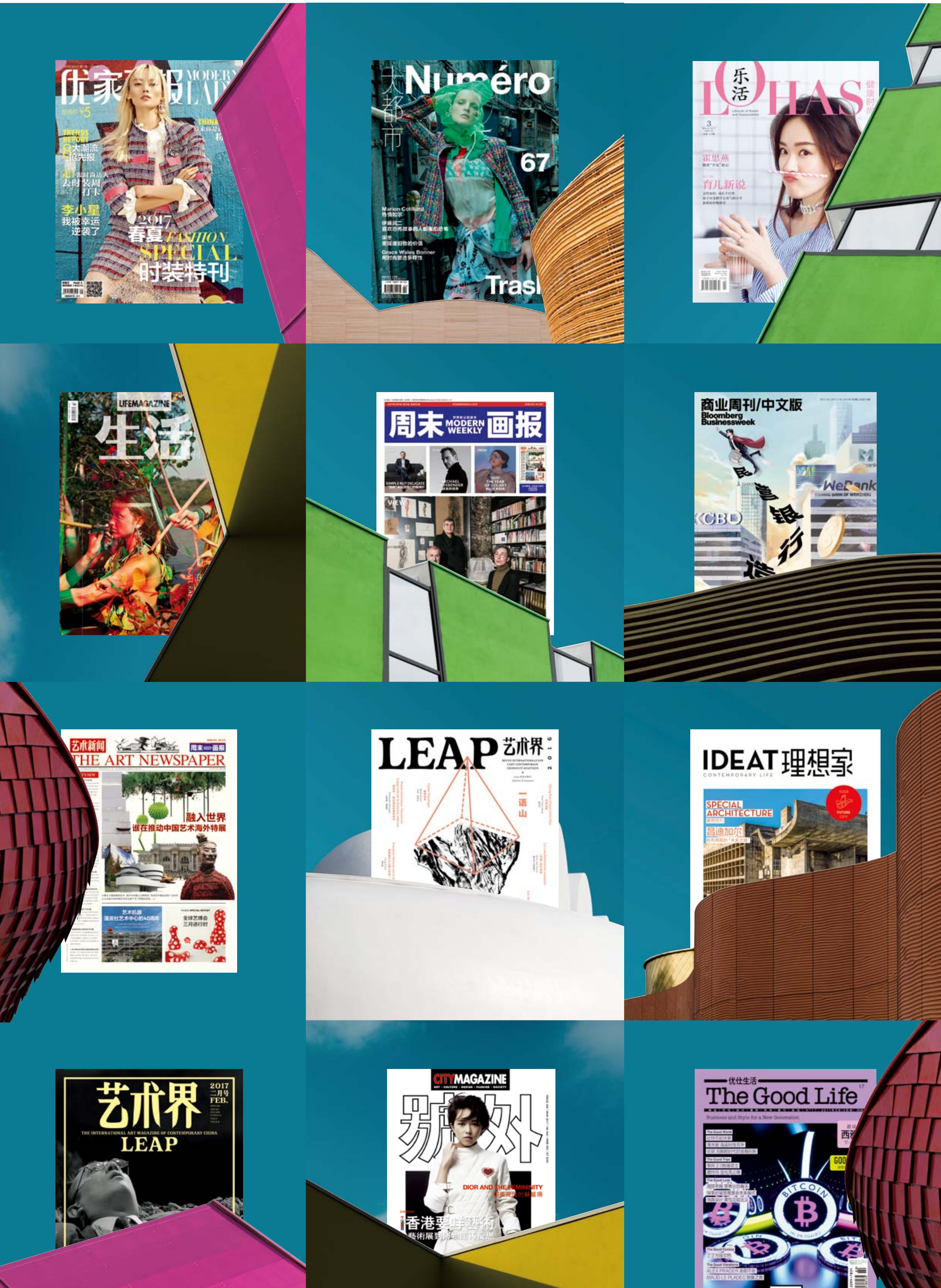
這個空間原本是老舊的工廠，承載著國家發展和城市變遷的許多回憶，而作為時刻走在時代前端的媒體，這讓歷史與當下重合在一起，彷彿在空間和時間交錯中產生對峙，激發新的創意。

Change your thinking,
adapt, change yourself

Modern Media's value lies in its philosophy. And its philosophy combines a contemporary spirit with an aesthetic appreciation. Knowing what you want and do not want. We cannot change our circumstances by complaining, we can only deal positively, analyze, think of a way forward, use our skills to find a resolution. There will always be problems, the key is mentality and approach. Doing business is certainly hard right now, and not only for us but all around the world. Why is it hard? Because it requires thought, analysis, rising to the challenge. You can be sure that business will become difficult, previous methods will become ineffective, we will be required to change, challenge, adapt, transform ourselves, together looking for a way forward.

變思、變通與變身

現代傳播的價值就是態度。而態度來自時代精神加審美能力。知道自已要什麼不要什麼。
埋怨無法改變現狀，只有積極去面對、去分析、去想辦法、去做才能解決。問題總是存在的，關鍵是心態和方法。現在生意難做是肯定的，不是我們難做，整個世界都難做。
難在哪裡？需要我們去思考，去分析，去挑戰。生意從容易變為困難，這是肯定的，原來的方式無效，要求我們去改變，去挑戰，去變通與變身，大家一齊去想辦法。


优家画报 MODERN LADY
2017 春夏 FASHION SPECIAL 时装特刊
李小星 我被幸运逆袭了
大都市 Numéro 67
乐活 LOHAS
育儿新说
生活 LIFEMAGAZINE
周末画报 MODERN WEEKLY
商业周刊/中文版 Bloomberg Businessweek
WeBank
艺术新闻 THE ART NEWSPAPER
融入世界 谁在推动中国艺术海外特展
LEAP 艺术界
IDEAT 理想家
CONTEMPORARY LIFE
SPÉCIAL ARCHITECTURE
艺术界 LEAP
2017 二月号 FEB.
THE INTERNATIONAL ART MAGAZINE OF CONTEMPORARY CHINA
CITYMAGAZINE
號外
DIOR AND THE FEMININITY
香港要咩藝術
优仕生活 The Good Life
BITCOIN

Use thinking to overcome the future,
use action to explore the future

Our goal is to start over (make the switch from pursuit of the perfect product to pursuit of the endless market), to make Modern Media into a knowledge innovation style business, an energetic company. Creating a freedom—collectively and collaboratively evolving a new type of organization. Building an organization with a mission and a team of flying geese.

Just as the eminent writer George Bernard Shaw said: “Progress is impossible without change, and those who cannot change their minds cannot change anything.” As a company and as individuals we must actively seek out new ideas and new opportunities. This means not only gaining knowledge from new sources; at the same time we must actively provide help to others. We must look outward instead of inward, change from an expert mentality to a novice mentality, stop repeating the successes of the past and start creating new successes.

讓思維穿越未來 用行動探索未來

我們的目標是重新出發（從追求產品的完美到追尋市場的無限），把現代傳播打造成為一間知識創新型的企業，一間充滿活力的公司。打造一個自由—集中+合作的共同進化新型組織。建立任務型的組織和雁行團隊。

正如大文豪蕭伯納所説：“沒有變化就不會有進步，不能改變自己思想的人不能改變任何東西。”公司和個人必須積極尋求新觀念和新機遇。這不僅要從新源泉中獲得知識，同時還要積極給他人提供幫助。從關注內部到關注外部，從專家心態到新手心態，從重複過去的成功到創造新成功。

Deal with the present,
plan for what comes next,
invest in the future

To deal with the present, we will add one more gene to our DNA: digital. Even when publishing online we must keep our four original genes: internationalism, high quality, contemporary, social minded. We must have a new recognition that the internet is not just a medium. More than this, it is an interactive platform.

Most innovations do not come from technology but from approach, ideas and thought. Innovation in service is more important than innovation in technology. If our purpose is service, we find that many innovations do not require technological reform yet can drive revolution. Innovation is sometimes found out of a few simple requirements, the key is transformation and breakthroughs in people's cognitive ability. Human resource is an enterprise's true core value.

Structural change in a business fundamentally changes the company's mode of survival and operating method, following changes in the market. Therefore, this year our operations must now focus on developing the value of our subscribers, we must think of ways to use our resources to mine the subscriber market, to make money from the customer user experience.

做好現在，設計未來，
投資將來

做好現在，我們將會在我們的DNA中加多一個基因：數字化。但是就算做互聯網也要堅持我們的DNA的前四項：國際化、高品位、時尚化、社會心。我們必須對網絡要有新的認知：網絡，不只是一個媒體。更重要的是一個互動的平台。

很多創新並不是來自技術方面的，而是態度、觀念以及思維的創新。服務創新比技術創新更重要。人生以服務為目的，很多創新不需要技術上的改革，也能帶動革命。創新有時可以從一些很簡單的小需求裡去尋求，關鍵在於人的認知能力的改變和突破。人才是企業真正的核心價值。

企業轉型，實質就是根據市場的變化而改變企業的生存方式和經營模式。為此，今年我們的經營模式必須將重點轉移到開發用戶的價值上來，必須去思考如何利用我們的資源去開拓用戶的市場，在用戶體驗服務上賺錢。

New style-
new methods-
new path

"In adversity, we must try hard to find a way to make it work. I have found that if I do this, the situation will always turn around quickly; on the other hand, if I try to avoid it or wish the problem away, I get more anxious and the problem gets worse." (Tim Gunn)

A question that every business leader and employee must urgently consider is how, with the help of new practices, to open up innovative paths to promote the company's development. For this, we must first advance our knowledge, from there push our creative ability, and finally push our own organization to continually grow, to establish a competitive advantage. Just as José Ortega y Gasset said, "A life with creativity is a vital life."

新模式
新方法 新路徑

"必須在逆境中努力做到最好。我發現，如果我這樣做的話，情況往往會迅速好轉；相反，如果我試圖逃避或者想把問題趕走，我會變得越來越焦慮，情況也會越來越糟。"—蒂姆· 岡恩(Tim Gunn)

如何借助新模式及新方法、開闢創新路徑來推動公司的發展，已是每個企業領導者和員工需迫切思考的問題。為此，我們首先要推動知識的進步，從而推動創新的能力，然後是推動自己組織的不斷發展，建立下一個競爭優勢。正如西班牙著名思想家奧特加· 伊· 加塞特(Jos é Ortega y Gasset)所說："有創造力的人生就是一種精力旺盛的人生。"

The persuasive power of the media

We must consider how to use the latest technology to make us a truly modern media, to seek anew the company's future vitality. Because media are the product of technology. Modern Media is not restricted to putting out information, it must be more multi-functional. "Media consumption" will become the world's largest industry, and the biggest winner in media is the content provider.

As well as establishing economic logic with our clients, even more important is to create emotional logic. Our company has both ideas and feelings. To give our organization greater value, we must make it stand out—provide something unique. This is the secret to attracting paying customers, and attracting employees to work for us.

媒體說服的力量

我們一定要思考如何運用最新科技來使我們成為真正的現代媒體，重新找尋企業未來的生命力。因為媒體是科技的產物。現代媒體不僅限於資訊的傳播，其功能將更多元化。"媒體消費"將成為全球最大的產業，而媒體最大的贏家則是內容提供者。

我們除了與客戶建立經濟邏輯之外，更重要的是建立感情邏輯。我們既是一間有理念的公司，又是一間有情感的公司。讓組織更有價值，必須使組織與眾不同—組織必須提供某種獨一無二的東西。這是吸引顧客向它購買、吸引員工為它效勞的秘訣。


GOTHIC
BAROQUE
1947-1999
CHANEL
ART OF TENNESSEE

Core competitive strength

We must turn the past distinction between content and marketing into a content marketing strategy. Content marketing is already the core competitive strength in today's media companies in promoting growth in demand in consumer content. For this reason, Modern Media has already transformed from a magazine publisher into a content provider. In order to further the integration and planning of the company's content resources, and the innovative management of content marketing, Modern Media has specifically created the position of Chief Content Officer for the group. The Chief Content Officer is responsible for: following the growth of the mobile internet, the ways people access information has already changed drastically. The audience now receives information actively rather than passively, for the first time in the history of broadcasting. So they must: stand at the viewpoint of the target user, using the thinking and practice of the mobile internet to create a systematic plan; manage the establishment of a specialized content team; create content that is relevant to, of value to, and of interest to the audience; use different distribution channels and devices to distribute it to the target audience.

核心競爭力

我們必須由過去內容與營銷分離的模式，轉變為內容營銷的模式，內容營銷已經成為當今傳播公司推動用戶內容需求增長的核心競爭力。為此，現代傳播已經從雜誌出版商轉型升級為內容提供商，為進一步推動集團內容資源的整合與規劃，以及內容營銷創新管理，現代傳播特別設立集團首席內容官一職。

首席內容官的職責：隨著移動互聯網的發展，人們獲取信息的途徑已經發生了重大轉變。受眾獲取信息從被動變成了主動，這是傳播史上的第一次。這就需要站在目標受眾的角度，運用互聯網的思維和方法進行系統規劃和管理組建專業內容團隊，創建與受眾相關的、有價值的、具有吸引力的內容，並運用不同的傳播媒介形式和終端將其分享給目標受眾。

Core value

The core value of Modern Media lies in its ability to create content. In whatever way the vehicle or medium develops into the next generation, Modern Media will always keep as its goal the provision of fine, quality, tasteful content. Moreover our content will not only be about fashionable lifestyles or business and finance, but will be more diverse and taken from news, finance, fashion, health, leisure, lifestyle to art, including content for all elites.

核心價值

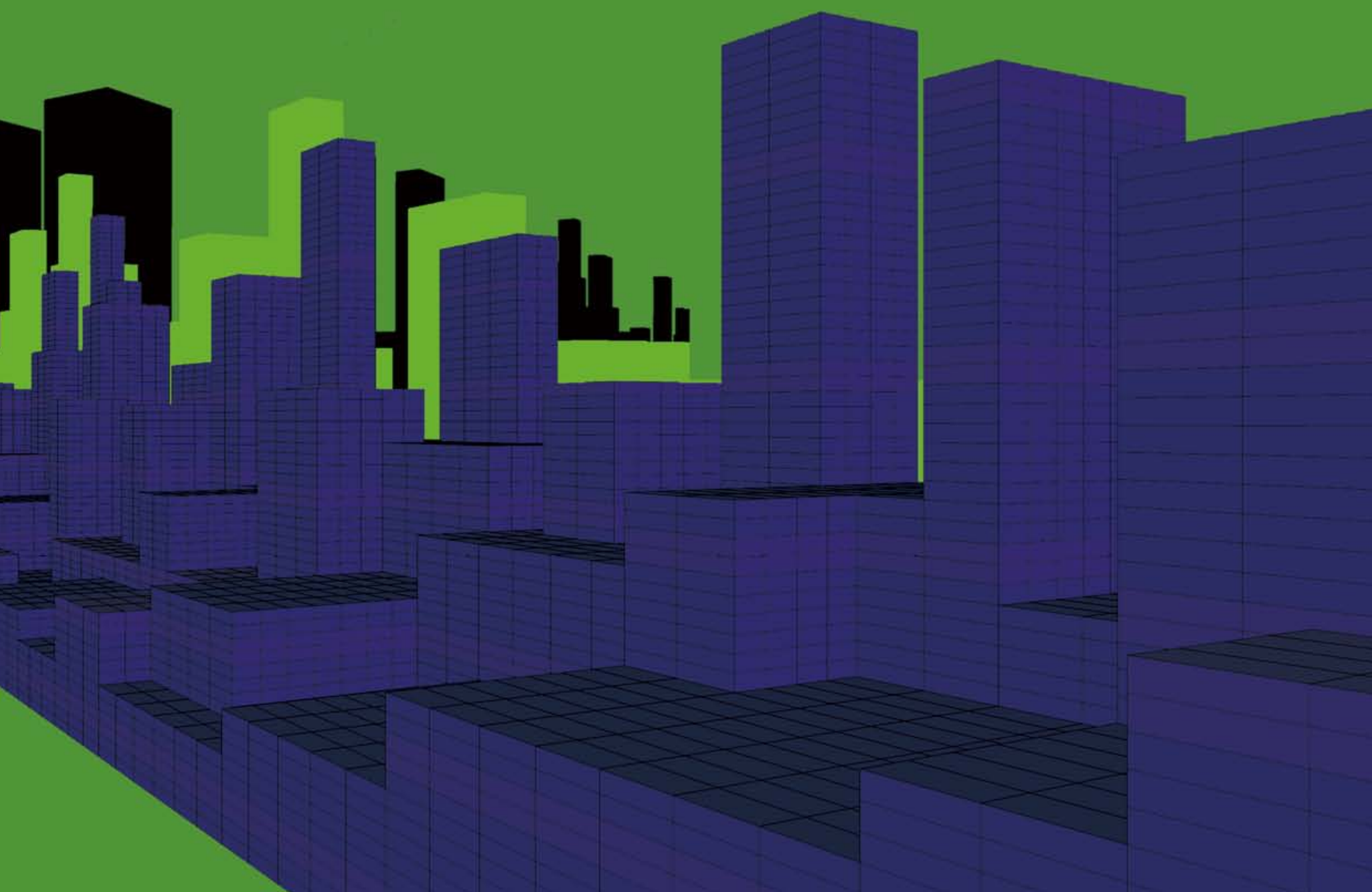
現代傳播的核心價值在於其內容的製作能力上，無論傳播的載體如何更新換代，現代傳播始終本著為讀者提供精美、高品質、高品位的內容為宗旨。而且內容並非單一的時尚生活方式或商業財經，而是多元地從新聞、財經、時尚、健康、娛樂、生活方式到藝術，涵蓋整個精英人群的內容。

New commercial opportunities; new practices

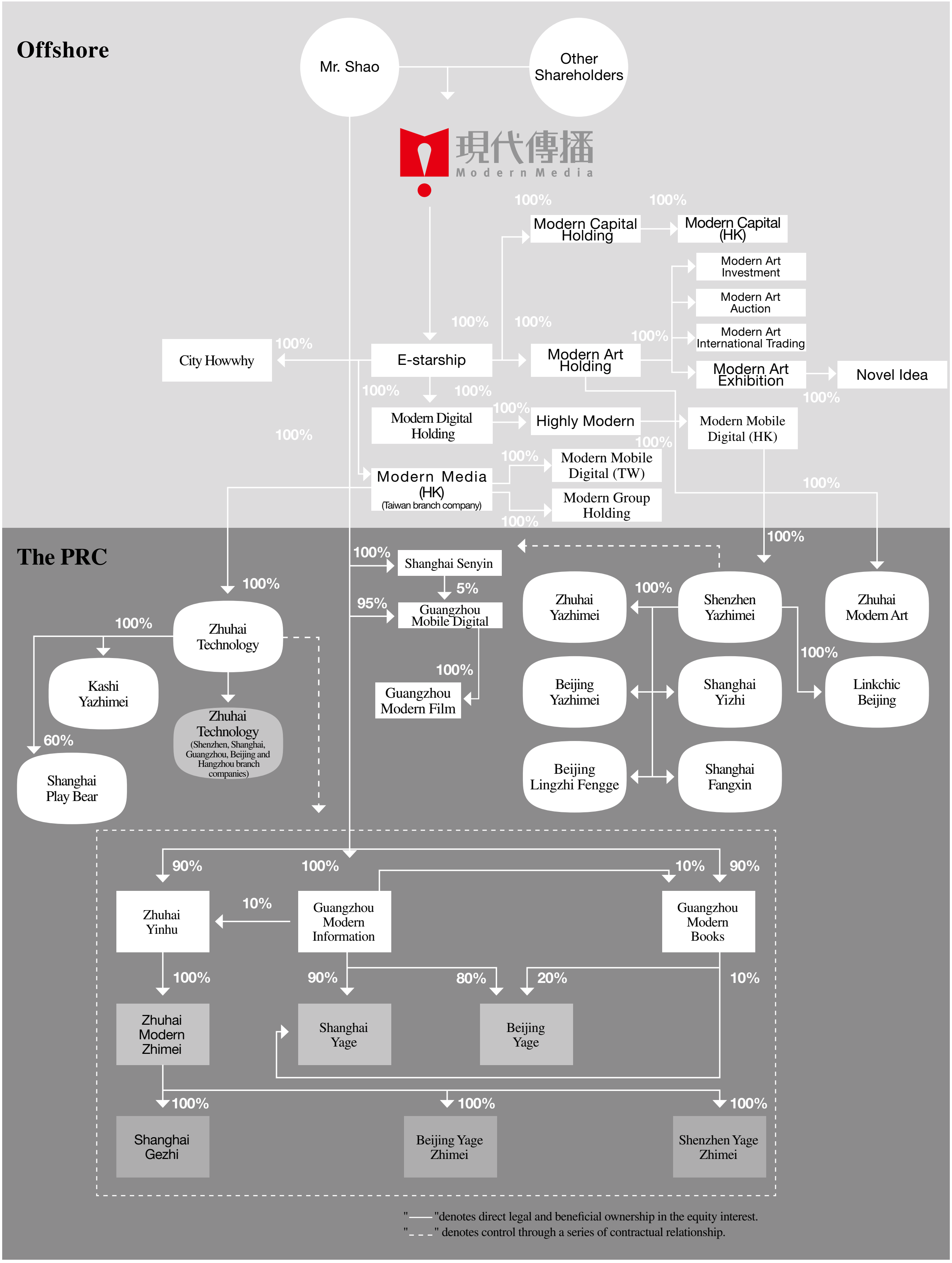
Modern Media is one of a small number of high-end cross-platform publishing corporations in China, therefore our market prospects hold unlimited possibilities, and depend on the extent to which we break through our existing marketing beliefs and practices to challenge ourselves. By consolidating group resources, we will find new business opportunities and new methods, and provide a high quality, specialist, highly intellectual media service.

新商機 新方法

現代傳播是中國為數不多的高端跨媒體傳播集團，為此，我們的市場前景充滿著無限的可能性，就看我們如何突破固有的銷售思維和方法模式去挑戰自己。整合集團資源，找到新的商機和新方法，為客戶提供優質、專業、高知識層次的傳播服務。



Corporate Structure



Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shao Zhong *(Chairman)*
Mr. Wong Shing Fat
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain (appointed with effect from 1 June 2016)

Non-executive Director

Dr. Cheng Chi Kong *(Vice Chairman)*

Independent Non-executive Directors

Mr. Jiang Nanchun
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao (appointed with effect from 18 August 2016)

AUDIT COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*,
Mr. Jiang Nanchun, Mr. Wang Shi, Dr. Gao Hao

REMUNERATION COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*
Mr. Wong Shing Fat, Mr. Jiang Nanchun

NOMINATION COMMITTEE

Mr. Wang Shi *(Chairman)*
Mr. Au-Yeung Kwong Wah, Mr. Jiang Nanchun

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Shao Zhong *(Chairman)*
Mr. Wong Shing Fat, Mr. Mok Chun Ho, Neil, Dr. Gao Hao
Ms. Zhong Yuan Hong

COMPANY SECRETARY

Mr. Mok Chun Ho, Neil *(FCPA (Practising), ATIHK, ACIS)*

AUTHORISED REPRESENTATIVES

Mr. Shao Zhong
Mr. Mok Chun Ho, Neil

Board of Directors
董事會

行政總裁兼集團出版人，
執行董事

黃承發

Wong Shing Fat

CEO & Group Publisher,
Executive Director

執行董事/北京地區總經理，
《商業週刊/中文版》出版人

李劍

Patrick Li

Executive Director/General Manager of Beijing Office, Publisher of Bloomberg Businessweek China

執行董事暨上海地區總經理
《優家畫報》及iLady365出版人
《IDEAT理想家》出版人

楊瑩

Amy Yang

Executive Director, General Manager of Shanghai Office, Publisher of Modern Lady & iLady365, Publisher of IDEAT CHINA

財務總裁，公司秘書兼執行董事
莫峻皓
Mok Chun Ho, Neil
CFO, Company Secretary & Executive Director

創辦人，董事會主席兼首席內容官
邵忠
Shao Zhong
Founder, Chairman & Chief Content Officer

執行董事，運營總裁
德浩仕
Alain Deroche
Executive Director & Chief Operating Officer

Corporate Information (continued)

AUDITORS

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Certified Public Accountants
Level 12
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LEGAL ADVISERS AS TO HONG KONG LAW

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Guangdong Province, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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21 Wong Chuk Hang Road
Aberdeen
Hong Kong

PRINCIPAL BANKERS IN HONG KONG

Bank of China (HK) Limited
Wing Lung Bank Limited

PRINCIPAL BANKERS IN THE PRC

China Merchants Bank
(Shanghai Branch, Xujiahui Sub-branch)
Industrial Bank Co., Limited
(Guangzhou Branch, Haizhu Sub-branch)
China MinSheng Banking Corporation
(Beijing Guangan Men Sub-branch)

Corporate Information (continued)

REGISTERED OFFICE

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Grand Cayman KY1-1001
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

STOCK CODE

Stock code: 72

WEBSITE

www.modernmedia.com.cn

Chairman's Statement
主席報告

Chairman's Statement

On behalf of the Board of Directors ("the Board") of Modern Media Holdings Limited (the "Modern Media" or the "Company") it is my great pleasure to announce the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2016.

Looking back to 2016, the world's three largest economic entities still had uncertainties in its economy affairs. The PRC's Gross Domestic Products ("GDP") growth was maintained at 6.7%. However, the falling exports, increasing property prices in major cities of the PRC and anti-corruption policies by the government weakened consumers' confidence on the retail market and many advertisers and media operators in the PRC encountered the matter of survival. In Reporting Period, the Company's turnover amounted to approximately RMB518.9 million, which represented a decrease of 12.9% as compared with that for year 2015. The Company recorded a net profit of RMB3.0 million for the year, with a significant improvement compared with the first half year.

The Company had reacted promptly under the industry downturn and implemented a series of cost saving policies by reducing the headcount to rationalize human resource structure, consolidating distribution networks and the removal of offices, optimizing the number of print copies of our magazines and tightening the budget control on production costs and expenses. Furthermore, the Company procured businesses and orders from new customers in the latter half of 2016. The financial performance of the Company had therefore improved significantly accordingly in the second-half of 2016 and we managed to turnaround from a loss situation in the first half to a slight profit situation for the full year of 2016. Besides the self-development, the Company is also looking for any merger and acquisition opportunities in order to speed up business expansion, which the management believes that such move will have the synergy effect with the existing business portfolio. Meanwhile, the Company will continue to review such portfolio of magazines and target to attain an optimal operating result in 2016 and onwards.

Modern Media had strategically restructured its business into two business segments, namely "print media and art" and "digital media and television". In 2016, the overall printed media market followed the downward trend; the advertising market hence experienced a lusterless performance given to the stagnation in retail business. Although the PRC advertising market of magazine category was extremely challenging, the Company still made an effort to achieve a fair performance in 2016. The revenue of Company's flagship magazine, "Modern Weekly" suffered a decease, but it has still been ranked No. 1 in term of revenue in weekly magazine market according to audit report by Admango. Meanwhile, the revenue of another magazine of the Company, "Modern Lady Weekly", was also affected under the downward trend of macro environment in magazine market. However, it has been ranked No. 2 in term of circulation among all women lifestyle magazines in the PRC according to the market survey published by Beijing Kai Yuen Circulation Research Company. "You Jia Hui" (優家薈) became a well-known readers' club and it had successfully organized a series of marketing events in 2016. Those marketing events were well-accepted by both the readers and members of "You Jia Hui" (優家薈) and created synergy effect on the online and offline promotion. Moreover, the members of "You Jia Hui" (優家薈) have increased significantly in recent years and the club membership fees had created additional income stream of the Group starting from 2015. The Company's flagship business magazine, "Bloomberg Businessweek/China" (Simplified Chinese edition) also recorded a decrease in the advertising performance which many other competitors also faced the downward trend in revenue in 2016. By comparing with 40 other business and financial magazines, it was ranked No. 4 according to audit report by Admango regarding to the advertising revenue in all categories. In the meantime, the "Bloomberg Businessweek/China" (Traditional Chinese edition) recorded an increase of revenue by 34.0%. Moreover, the other monthly or bi-monthly magazines of the Company in the PRC and Hong Kong, such as "Life", "LEAP", "LOHAS" and "IDEAT" were recorded revenue increases as compared to the same period of last year. As for the art business, the Company is planning to renovate some of the office space to become art galleries in order to promote artwork trading business in 2017. It is belief that Company's art business will have a significant increase in the coming future.

As for digital media & television, the company's digital media business had maintained a profit situation in the current year. The advertising market of mobile digital category achieved a year-on-year increase of 73.7% in 2016. For the year 2016, the number of "iWeekly" downloads on both smartphone and tablet PC reached approximately 14.0 million together, an increase by 7.7% while its advertising revenue was increased by 8.5% from the year ended 2015. And the iPhone version was within the Top 5 list in Newsstand Top Grossing List in AppStore. What's more, "iLady365" has generated an income which was 50.2% higher than that of last year. Comparing with 2015, "iLady365" has already accumulated more than 5.4 million users on both smartphone and tablet PC as at the end of 2016 which represented an increase by 18.9%. The iPhone version of "iLady365" was within the Top 5 list in Newsstand Top Grossing List in AppStore. In 2016, "iLady365" had successfully integrated with Metroer.com, where comprehensive solutions are provided for targeted customers on behalf of branded clients. The Company believes that "iLady365" is a strategic move for the Group to ride on the recent trend of e-Commerce outbreak and will also become another income generator in the coming future. In addition, "Bloomberg Businessweek 商業周刊中文版" has successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 7.8 million together, which was 21.9% higher than that of last year. The iPhone version of it was within the Top 5 list in Newsstand Top Grossing List in AppStore and, "Bloomberg Businessweek 商業周刊中文版" has also got the Top 1 ranking for a long period of time in 2016. It has maintained its irreplaceable position and was still well-accepted by both the readers and advertisers. On the other hand, the TV team created value-added series by focusing on the customized production for its brand advertisers. Moreover, the Company's TV media will continue this business model and focus on customized production for advertisers in future. Hence, the Company believed that TV media will deliver an optimal operating result in the coming years.

Looking forward to 2017, the Company will keep on developing its business strategy into an "M-cube" direction, i.e. "Modern Media", "Modern Digital" and "Modern Momentum". "Modern Media" includes Company's printed magazines portfolio which is still a leading core media in the PRC market for the brand advertisers of high-end luxury goods and lifestyle products. The Company believes that the advertising markets from the brand advertisers will rebound in line with the economic growth of the PRC economy in future. Meanwhile, the Company is negotiating the cooperation with an international renowned female title and "Modern Lady Weekly" will have a re-branding in the current year. The Company believes that such re-branding will have an upgrade of the magazine contents and bring in additional advertising revenue stream. "Modern Digital" is Company's business growth engine in the past few years; therefore the Company keeps on maintaining a reasonable portfolio of apps in addition to the continuous upgrade of their existing apps. Company's research and development team is also in the process of developing other new social media which trying to capture business opportunities in different market segments. The Company is exploiting the opportunities to charge the membership fees in social media and a single content fee by reading a specific essay. It is expected that the Company could derive additional revenue and benefits by delivering these innovative revenue model to the market. "Modern Momentum" will be the new driving force of the Company by utilizing their existing ample resources in well-experienced marketing experts and networks with models, celebrities and artists etc. The Company will cooperate and establish joint venture companies with well-established and famous exhibitors in both the UK and the PRC in the current year. With the success case of "Photo Shanghai", the Company will organize a series of profit-making trade fairs with different themes such as art, LOHAS, creativity, business, design and girl's fair.

Chairman's Statement *(continued)*

Looking forward, the management believes that the further development of the "M-cube" direction together with stringent cost control measures would help the Company achieve a significant development in the coming future.

With the concerted efforts of all staff as well as the long-term great support and encouragement from our clients, shareholders and business partners, the Group will flexibly cope with changes in the business environment in order to capture new opportunities, and achieve steady progress. The Group is determined to become the most respectable and influential integrated media enterprise in Greater China and is committed to generating satisfactory returns for shareholders.

Shao Zhong
Chairman

15 March 2017

Management Discussion and Analysis

RESULT SUMMARY

The year of 2016 had been marked by incessant "black swan" events, such as unexpected Britain's decision to cut the cord on its membership in the European Union in June followed by Donald Trump's winning of the United States ("U. S.") presidential election around the year end. The world's three largest economic entities still had uncertainties in its economy affairs. The U.S. Federal Reserve Board had tapered its quantitative easing policy and tightened its dollar liquidity by raising the interest rate since 2016. The new U.S. president is threatening to kick-off the trade wars with Mexico and the PRC in the coming years. Moreover, Europe had made an effort to stabilize the public's confidence in its common currency and the creditability of its institutional issuers after Britain's vote to exit European Community. However, the situations will be deteriorating as the anti-establishment groups determine to upset the status quo if they will win the upcoming elections in the Netherlands, France and Germany. On the other hand, even the PRC's Gross Domestic Products ("GDP") growth was maintained at 6.7% in 2016 but the general economic outlook did not totally reflect the economic growth. There were falling exports and ongoing deceleration in private sector business investments. The increase of property prices in major cities of the PRC will also be an indicator of the growth of the real estate bubble. The PRC government had continued its anti-corruption policies in the past few years and it is anticipated that the government will stick on those policies in the foreseeable future. The weakening of consumers' confidence on the retail market had a negative impact on the advertising industry, especially for the luxury goods. In conclusion, many advertisers and media operators in the PRC encountered the matter of survival in year 2016.

The Company and its subsidiaries (the "Group") had experienced a significant drop of income in the first half of 2016 owing to the brand advertisers had cut their advertising spending and marketing budgets in the PRC market. However, the Group had reacted promptly and implement a series of cost saving policies by reducing the headcount to rationalize human resource structure, consolidating distribution networks and the removal of offices, optimizing the number of print copies of our magazines and tightening the budget control on production costs and expenses. Furthermore, the Group procured businesses and orders from new customers in the latter half of 2016. The financial performance of the Group had therefore improved significantly accordingly in the second-half of 2016 and we managed to turnaround from a loss situation in the first half to a slight profit situation for the full year of 2016. The Group's turnover amounted to approximately RMB518.9 million, which represented a decrease of 12.9% as compared with that for year 2015. The Group's three flagship weekly/bi-weekly magazines, "Modern Weekly", "Modern Lady Weekly" and "Bloomberg Businessweek/China" recorded a decrease in the turnover when compared with that in 2015 which was affected by the sluggishness of the advertising market in luxury goods. On the other hand, the Group's three major Chinese media applications ("App"), namely the "iWeekly", "iLady365" and "Bloomberg Businessweek 商業周刊中文版", showed different performances. "iWeekly" and "iLady365" achieved revenue growths while "Bloomberg Businessweek 商業周刊中文版" recorded a decrease in turnover in 2016. The Group's print media segment remained as the major cash cow, while its mobile digital media successfully achieved continuous revenue growth. The Group recorded a net profit of RMB3.0 million for the year, with a significant decrease of 85.4% as compared with that of year 2015.

Starting from 2015, the Group had strategically restructured its business into 2 business segments, namely "print media and art" and "digital media and television". In 2016, print media remained as the major income contributor of advertising revenue while digital media was outperformed in generating revenue. As at 31 December 2016, the segment results are as follows:

	Print Media & Art RMB'000	Digital Media & TV RMB'000	Total RMB'000
2016			
Reportable segment revenue	432,993	95,168	528,161
Reportable segment profit	6,355	2,611	8,966
Segment EBITDA	24,571	11,596	36,167
2015			
Reportable segment revenue	484,064	89,145	573,209
Reportable segment profit	21,598	3,483	25,081
Segment EBITDA	38,848	16,940	55,788

On the segment results, the segment revenue for the print media in 2016 suffered an 10.6% decrease when compared with 2015. Meanwhile, the segment earnings before interest, tax, depreciation and amortization ("EBITDA") and segment profit showed a downward trend when we compared with that of 2015. On the other hand, the digital media segment recorded an increase in segment revenue by 6.8%. The Group had leveraging on the economics of scale by operating a number of well-established Apps in 2016. The management of the Group has confidence that the digital media will continue its profitable trend afterwards.

The directors are satisfied with financial performance under the tough operating environment and also with the achievements of some strategic milestones of the Group in 2016.

(A) BUSINESS REVIEW

(i) Print Media and Art

The overall printed magazine market followed the downward trend as in the past few years. The total advertising revenue of printed magazine category has been decreased by 30.5% as compared with that of last year, in which all the four major categories recorded a decrease in the advertising spending: the cosmetics industry achieved a negative growth of 30.0%, the fashion industry achieved a negative growth of 22.0%, auto industry achieved a negative growth of 22.0%, and the watch and jewelry industry achieved a negative growth of 19.0%. The advertising market hence experienced a lusterless performance given to the stagnation in retail business.

* Remark: Advertising information from the above paragraph is extracted from Advertising Expenditure Report of 2016 produced by CTR China.

The Group commenced in year 2016 with six weekly/bi-weekly and eight monthly/bi-monthly magazines in both the PRC and Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health, etc. In September 2016, the Group ceased to issue the "The Outlook Magazine" after the cautious review of the operating performance of the magazine portfolio.

In 2016, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB403.8 million (2015: RMB450.4 million), which recorded a decrease of approximately 10.3% as compared to 2015.

Although the PRC advertising market of magazine category was extremely challenging, our Group still made an effort to achieve a fair performance in 2016. The revenue of our flagship magazine, "Modern Weekly" suffered a decease when facing the industrial depression in the overall printed media market. However, it has still been ranked no. 1 in term of revenue in weekly magazine market according to audit report by Admango and continuously maintained the irreplaceable position by most of the print media brand advertisers while many other print competitors were still struggling in the matter of survival.

The revenue of another flagship magazine of the Group, "Modern Lady Weekly", was also affected under the downward trend of macro environment in magazine market. However, it has been ranked no. 2 in term of circulation among all women lifestyle magazines in the PRC according to the market survey published by Beijing Kai Yuen Circulation Research Company. "You Jia Hui" (優家薈) became a well-known readers' club and it had successfully organized a series of marketing events in 2016. Those marketing events were well-accepted by both the readers and members of "You Jia Hui" (優家薈) and created synergy effect on the online and offline promotion. Moreover, the members of "You Jia Hui" (優家薈) have increased significantly in recent years and the club membership fees had created additional income stream of the Group starting from 2015.

Our flagship business magazine, "Bloomberg Businessweek/China" (Simplified Chinese edition) also recorded a decrease in the advertising performance as compared to the same period of last year which many other competitors also faced the downward trend in revenue in 2016. By comparing with 40 other business and financial magazines, it was ranked no. 4 according to audit report by Admango regarding to the advertising revenue in all categories, versus no. 3 in year 2015. Moreover, the "Bloomberg Businessweek/China" (Traditional Chinese edition) recorded an increase of revenue by 34.0% when compared with that of last year owing to the increase of marketing awareness after the launching of a series of marketing events including the "Top Fund Awards", "Listed Enterprises of the Year" and "Financial Institution Awards".

The other monthly or bi-monthly magazines of the Group in the PRC and Hong Kong had been recorded with different operating performances. Some titles, such as "Life", "LEAP", "LOHAS" and "IDEAT" were recorded revenue increases as compared to the same period of last year, whilst the other monthly or bi-monthly titles experienced revenue declines as per the general trend of the overall printed media market. The Group will continue to review such portfolio of magazines and target to attain an optimal operating result in 2016 and onwards.

During the reporting period, the art business had contributed revenue of RMB14.0 million (2015: RMB47.6 million), which included the advertising revenue and event income from our art-related magazines — "LEAP" and "the Art Newspaper". In the coming year, the Group is also planning to renovate some of the office space to become art galleries in order to promote artwork trading business. It is our management's belief that our art business will have a significant increase in the coming future.

(ii) Digital Media & TV

Comparing to the stagnant advertising environment in printed media sector, the overall market sentiment of the digital media sector was still optimistic. The advertising market of mobile digital category achieved a year-on-year increase of 73.7% in 2016. The total revenue contributed by the Group's digital media recorded an increase by 6.8% in 2016 when compared with that of last year. With the Group's strategy to expand the digital media, the Group has incurred capital expenditure of RMB12.1 million to maintain and conduct major upgrades on existing Apps.

* Remark: Information in the above paragraph is extracted from Internet Advertising Market Report 2016 served by iResearch.

For the year 2016, the number of "iWeekly" downloads on both smartphone and tablet PC reached approximately 14.0 million together, an increase by 7.7% from the year ended 2015. "iWeekly" continued to be recognized as one of the most successful Chinese media Apps on both Apple iOS and Android platforms. The iPhone version was within the Top 5 list in Newsstand Top Grossing List in AppStore and, "iWeekly" has also got the Top 2 ranking for a long period of time in 2016. Moreover, the advertising revenue of "iWeekly" in 2016 was increased by 8.5% when compared with that of last year. It was because many of the branded advertising clients were eager to utilize their marketing budgets in digital Apps in 2016. "iWeekly" often undergo a content revamp and add more user-friendly functions, such as the daily news broadcast which target to increase the readers' adherence.

"iLady365" has already accumulated more than 5.4 million users on both smartphone and tablet PC as at the end of 2016 which represented an increase by 18.9% when compared with that of last year. The iPhone version of "iLady365" was within the Top 5 list in Newsstand Top Grossing List in AppStore and, it has also got the Top 4 ranking for a long period of time in 2016. "iLady365" has generated an income of approximately RMB23.7 million which was 50.2% higher than that of last year. In 2016, "iLady365" had successfully integrated with Metroer.com, where comprehensive solutions are provided for targeted customers on behalf of branded clients. Moreover, as it could effectively bring traffic to some advertiser's shopping platform or their official websites, "iLady365" has increased its popularity amongst the branded advertisers. We believe that "iLady365" is a strategic move for the Group to ride on the recent trend of e-Commerce outbreak and will also become another income generator in the coming future.

"Bloomberg Businessweek 商業周刊中文版" has successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 7.8 million together, which was 21.9% higher than that of last year. Further, "Bloomberg Businessweek 商業周刊中文版" was recommended to be one of the Best Apps for the year 2016 in Apple's AppStore. The iPhone version was within the Top 5 list in Newsstand Top Grossing List in AppStore and, "Bloomberg Businessweek 商業周刊中文版" has also got the Top 1 ranking for a long period of time in 2016. Even the advertising revenue of "Bloomberg Businessweek 商業周刊中文版" was recorded a decrease in 2016 owing to a loss of a single major client, it still outperformed among many competitors in the market. "Bloomberg Businessweek 商業周刊中文版" has maintained its irreplaceable position and was still well-accepted by both the readers and advertisers.

Besides, there were two more important Apps in the digital platform of the Group, namely "LOHAS" and "iArt" which had been accumulated the number of downloads on both smartphone and tablet PC by approximately 3.5 million and 2.6 million respectively as at the end of 2016. Those Apps started to create additional advertising revenue in the current year.

Given the expansion plan in progress, the Group's digital media business had maintained a profit situation in the current year. The Group management is confident that the continuous growing downloads of our App products will make us a leading digital platform, and will further generate considerable revenues in future. We believe that the operations of the digital media segment will be on the right track and continue to deliver satisfactory operating results in the coming years.

The TV team created value-added series by focusing on the customized production for its brand advertisers. TV media had already achieved a revenue of RMB8.8 million (2015: RMB9.1 million) in 2016 which represented a slight decrease of approximately 3.3% when compared with that of last year. The Group has maintained a reasonable cost structure of TV segment and the operating result is only recorded a slight loss in 2016. Looking forward, the Group's TV media will continue this business model and focus on customized production for advertisers in future. Hence, the Group believed that TV media will deliver an optimal operating result in the coming years.

(B) BUSINESS OUTLOOK

In view of the slowdown in economic growth in China, as well as the rapid transformation of the media industry, the Group will continue to face challenges in the coming year. As mentioned in the previous section, management will impose a series of cost control procedures to rationalize and streamline our operation so as to cope with the changing landscape of the media industry; on the other hand, the Group will continue to explore business opportunities in digital media and diversify our business scope.

The Group is implementing a corporate re-branding and changes the business strategy into a M-cube direction, i.e. "Modern Media", "Modern Digital" and "Modern Momentum".

"Modern Media" includes our printed magazines portfolio which is still a leading core media in the PRC market for the brand advertisers of high-end luxury goods and lifestyle products. We believe that the advertising markets from the brand advertisers will rebound in line with the economic growth of the PRC economy in future. The Group will strive to develop and maintain its renowned content quality for the needs of highly growth elite's population.

The Group is negotiating the cooperation with an international renowned female title and "Modern Lady Weekly" will have a re-branding in the coming year. The Group believes that such re-branding will have an upgrade of the magazine contents and bring in additional advertising revenue stream. Besides, the Group will continuously review and adjust its magazines portfolio to pursuit the needs of particular segmented clients and readers.

"Modern Digital" is our business growth engine in the past few years. The Group perceived that being innovative is the key to becoming competitive in digital media industry; therefore we keep on maintaining a reasonable portfolio of apps in addition to the continuous upgrade of our existing apps. Our research and development team is also in the process of developing other new social media which trying to capture business opportunities in different market segments. The Group is exploiting the opportunities to charge the membership fees in social media and a single content fee by reading a specific essay. It is expected that the Group could derive additional revenue and benefits by delivering these innovative revenue model to the market.

Besides the self-development, the Group is also looking for any merger and acquisition opportunities in order to speed up business expansion. The Group is negotiating for the acquisition of the controlling shareholding of an international and renowned lifestyle website which the management believes that such move will have the synergy effect with the existing business portfolio.

Even we temporarily suspend our spin-off exercise owing to the market volatility, we still keep track on the market situation and will kick-off the project again in the appropriate timing in future.

"Modern Momentum" will be the new driving force of the Group by utilizing our existing ample resources in well-experienced marketing experts and networks with models, celebrities and artists etc. Taking an example of "Photo Shanghai", the Group together with Montgomery, an international leading art exhibitor, held a very successful photo exhibition in Shanghai since 2014. The exhibition has aroused extensive attentions and well-acceptance by both visitors and commercial sponsors. The Group will cooperate and establish joint venture companies with well-established and famous exhibitors in both UK and the PRC in the coming year. With the success case of "Photo Shanghai", the Group will organize a series of profit-making trade fairs with different themes such as art, LOHAS, creativity, business, design and girl's fair.

Looking forward, management believes that the further development of the M-cube direction together with stringent cost control measures would help the Group to return to a profitable position in the foreseeable future.

(C) FINAL DIVIDEND

The Directors proposed to declare a final dividend of HK1.0 cent (2015: HK2.5 cents) per share, amounting to approximately HK$4.4 million. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed dividend will be payable to shareholders whose names appear on the Register of Members of the Company on 18 May 2017 and payable on 8 June 2017. This proposal is subject to shareholders' approval at the forthcoming annual general meeting to be held.

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on 9 May 2017. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 4 May 2017 to 9 May 2017 both days inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 2 May 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 18 May 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 16 May 2017 to 18 May 2017, both days inclusive, during which period no transfer of share will be effected. In order to be qualifying for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited for registration not later than 4:30 p.m. on 15 May 2017. The payment of final dividend will be made on 8 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow for operating activities of approximately RMB22.2 million (2015: RMB35.3 million), the decrease in operating cashflow was largely attributable to the decrease in advertising income. On the other hand, the Group's cash outflow from investing activities amounted to RMB14.2 million (2015: RMB59.3 million) which was mainly attributable to the investment in fixed assets including the purchase of furniture, fixtures and equipment for the Digital Media operation and development cost for mobile applications. The cash outflow of the Group from financing activities amounted to RMB12.3 million (2015: RMB19.0 million) which was mainly owing to the payment of dividend of RMB9.1 million and interest payments on bank loans of RMB5.5 million.

Borrowings and gearing

As at 31 December 2016, the Group's outstanding borrowings was approximately RMB127.2 million (2015: RMB120.3 million). The total borrowings comprised secured bank loans and other borrowings of approximately RMB88.5 million (2015: RMB68.4 million).and other unsecured bank loan of approximately RMB38.7 million (2015: RMB52.0 million). The gearing ratio as at 31 December 2016 was 18.4% (2015: 17.7%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2016, the total debts of the Group were repayable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year or on demand	100,563	93,457
After 1 year but within 2 years	2,242	1,952
After 2 years but within 5 years	6,710	6,133
After 5 years	17,690	18,792
	26,642	26,877
	127,205	120,334

CAPITAL EXPENDITURE

Capital expenditure of the Group for the year included expenditure on fixed assets of approximately RMB14.4 million (2015: RMB32.0 million). Major expenditure included the purchase of furniture, fixtures and equipment and development cost for mobile applications.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing supplier to secure the banking facilities and printing credit line, as at 31 December 2016, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2016, the Group's bank loans of RMB45.0 million was secured by the Group's office properties in Beijing, which were guaranteed by Mr. Shao, the controlling shareholder of the Group. The Group's bank loan of RMB28.7 million and loan from developer of RMB14.7 million were secured by a mortgage over the Group's property in Hong Kong, the loan from developer was guaranteed by Mr. Shao and Ms. Zhong Yuanhong, a member of senior management of the Group.

As at 31 December 2016, the Group's printing credit line in an amount of approximately HK$7.30 million was secured by corporate guarantee given by the Company.

FOREIGN EXCHANGE RISKS

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the year 2016.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2016, the Group had a total of 703 staff (2015: 992 staff), total staff costs (including Directors' remuneration) were approximately RMB200.2 million (2015: RMB211.2 million). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee. The reduction in head counts was due to the rationalization of human resource structure in order to improve the corporate efficiency.

To recognize and reward the contribution of eligible employees for contributing to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an employee share award plan on 3 December 2009. The Plan has become effective on 7 December 2009. The Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the year 2016, the Company did not contribute any amount to the Plan and there were surplus funds in the Plan to acquire shares of the Company. During the year ended 31 December 2016, no share was awarded and vested to selected employees, under the Share Award Plan, as approved by the Board of Directors of the Company.

Corporate Governance Report

The Company is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company and devotes considerable efforts to identifying and formalizing best practices.

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report discloses how the Company has applied the principles of the CG Code for the year ended 31 December 2016.

Other than disclosed below in the paragraphs headed "Chairman and Chief Executive", the Directors are of the opinion that the Company has compiled with the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year. The Group also adheres to the recommended best practices of the CG Code insofar as they are relevant and practicable.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the "Model Code"). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the year.

THE BOARD OF DIRECTORS

The Board recognizes its responsibility to act in the interests of the Company and its shareholders as a whole. At 31 December 2016, the Board has eleven Directors: six Executive Directors, one Non-executive Director and four Independent Non-executive Directors. Independent Non-executive Directors represent one-third of the Board.

During the reporting period,

(a) Mr. Deroche Alain was appointed as an executive Director with effect from 1 June 2016.

(b) Dr. Gao Hao was appointed as an Independent Non-executive Director with effect from 18 August 2016.

(c) Mr. Wong Shing Fat re-designated from the position of Vice Chairman to Chief Executive Officer and Dr. Cheng Chi Kong was appointed as a Non-executive Vice Chairman with effect from 1 December 2016.

As at the latest practicable date prior to the issue of this annual report, the Directors of the Company are:

Executive Directors
Mr. Shao Zhong *(Chairman)*
Mr. Wong Shing Fat
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain

Non-executive Director
Dr. Cheng Chi Kong *(Vice Chairman)*

Independent non-executive Directors
Mr. Jiang Nanchun
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao

The biographies of all the Directors, including their relationships, are set out on pages 52 to 55 of this Annual Report. The Board is chaired by the Chairman, Mr. Shao Zhong. Mr. Wong Shing Fat, Executive Director and Chief Executive Officer, oversees the management of the Group's business with the assistance of the Group's senior management team. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

- Strategic direction
- Budgets
- Interim and annual financial results
- Interim and annual financial reports
- Significant investments
- Major acquisitions and disposals
- Major financings, borrowings and guarantees
- Material contracts
- Risk management

In addition, the Board discusses major operating issues, evaluates opportunities and business risks, and considers corporate communications and human resources issues. Decisions and conduct of matters other than those specifically reserved to the Board are delegated to management.

The Board will review the arrangements between the responsibilities of the Board and the matters delegated to management from time to time to ensure that they remain appropriate to the need of the Group and its business.

As at 1 June 2016, the appointment of Mr. Deroche Alain as executive Director of the Group became effective. As a result, the Board comprised six executive Directors, one non-executive Director and three independent non-executive Directors which such composition fell short of the requirement specified in Rule 3.10A of the Listing Rules, requiring the number of independent non-executive directors of an issuer must represent at least one-third of the board. On 18 August 2016, Dr. Gao Hao was appointed as independent non-executive director of the Group with effect from the same date. In such connection, the Company, in accordance with Rule 3.11 of the Listing Rules, has become in compliance with the requirement of having sufficient number of independent non-executive directors within 3 months after falling to meet the requirement. The Company has complied with Rule 3.10A of the Listing Rules since 18 August 2016.

Board Proceedings

The Board holds two regular meetings annually, usually half-yearly, and also meets at such other times as are necessary. Agenda of Board meetings are presented to the Directors for comments and approval. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to review and comment on the Board minutes within a reasonable time after the meetings to maintain accurate records of Board discussions and decisions. The number of Board meetings held and meetings attended by each of the Directors were:

Name of Directors	Number of meetings attended	Number of meetings held during 2016 (or during the tenure of the respective director, as the case may be)
Executive Directors:		
Mr. Shao Zhong	7	8
Mr. Wong Shing Fat	5	8
Mr. Mok Chun Ho, Neil	8	8
Ms. Yang Ying	5	8
Mr. Li Jian	5	8
Mr. Deroche Alain (appointed with effect from 1 June 2016)	5	8
Non-executive Director:		
Dr. Cheng Chi Kong	1	8
INEDs:		
Mr. Wang Shi	0	8
Mr. Jiang Nanchun	1	8
Mr. Au-Yeung Kwong Wah	7	8
Dr. Gao Hao (appointed with effect from 18 August 2016)	2	8

Notes

1: On 3 December 2009, the Board resolved that, for transactions falling under Chapter 14 of the Listing Rules but with the amount involved less than HK$20 million and that all relevant percentage ratios not exceeding 5%, the same may be approved by any two Executive Directors, provided that within 5 working days from the date of signing of the agreement(s) for the transaction, a copy of such agreement(s) must be circulated to all Directors (including Independent Non-executive Directors). Out of the 8 Board meetings held, 1 falls within such category of meeting.

2. During the financial year ended 31 December 2016, the Board has circulated and passed a written resolution on 1 occasion which is dated 11 August 2016, apart from the physical board meetings stated above.

3. The annual general meeting of the Company for year 2015 was held on 4 May 2016 and each of Mr. Shao Zhong, Mr. Wong Shing Fat, Mr. Mok Chun Ho, Neil, Ms. Yang Ying, Mr. Li Jian and Mr. Au-Yeung Kwong Wah attended the said General Meeting.

All the Directors have access to the advice and services of the Company Secretary to ensure all board procedures are followed. There are also written procedures for the Directors to obtain independent professional advice at the Company's expense.

Appointment, Re-election and Removal of Directors

Each of our executive Directors has entered into a service contract with the Company for a term of three years. Our non-executive Director, Dr. Cheng Chi Kong, has been appointed for an initial term of three years. Furthermore, the Board confirms the term of appointment and functions of all Independent Non-executive Directors and Board Committee members with formal letters of appointment. Each Independent Non-executive Director is appointed for an initial term of two years.

Directors who are appointed to fill vacancies are subject to re-election at the first annual general meeting of the Company after his or her appointment. In addition, every Director, including every Independent Non-executive Director, shall retire from office by rotation at least once every three years. One-third of the Directors are required to retire by rotation from office at every annual general meeting under the Company's Article of Association. A retiring Director is eligible for re-election.

Induction and Continuing Development of Directors

The Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Name of Director	Reading materials relevant to the Company's business or to their duties and responsibilities	Attending training courses on the topics related to corporate governance or regulations
Executive Directors:		
Mr. Shao Zhong	✔	✔
Mr. Wong Shing Fat	✔	✔
Mr. Mok Chun Ho, Neil	✔	✔
Ms. Yang Ying	✔	✔
Mr. Li Jian	✔	✔
Mr. Deroche Alain (appointed with effect from 1 June 2016)	✔	✔
Non-executive Director		
Dr. Cheng Chi Kong	✔	✔
INEDs:		
Mr. Wang Shi	✔	✔
Mr. Jiang Nanchun	✔	✔
Mr. Au-Yeung Kwong Wah	✔	✔
Dr. Gao Hao (appointed with effect from 18 August 2016)	✔	✔

During the year, all Directors of the Company received regular updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. They also attended regulatory update sessions and seminars on relevant topics. All Directors were requested to provide the Company with their respective training record pursuant to the CG Code.

Remuneration of Directors and Senior Management

The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the year are set out, on an individual and named basis, in note 35(a) to the financial statements of this Annual Report on page 160. The remuneration policy of the Group is set out on page 74 of this Annual Report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors & Senior Management" in this Annual Report by band is set out in note 31(d) to the financial statements of this Annual Report on page 157.

Independence of Independent Non-executive Directors

The Board has received from each of the Independent Non-executive Directors a confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. The Board is of the view that all Independent Non-executive Directors of the Company are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and the Board Committees.

Other matters relating to the Board

In relation to financial reporting, all Directors acknowledge their responsibilities for preparing the accounts of the Group. The Group has appropriate insurance in place to cover the liabilities of the Directors and senior executives of the Group.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Shao had been the Chairman and Chief Executive Officer of the Company up to November 2016. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Company. The division of responsibilities between the Chairman and the Chief Executive Officer is clearly established and set out in the job mandate of the Chairman and the Chief Executive Officer. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. There is a strong independent element in the composition of the Board. Out of the 11 Board members, 4 are INEDs. The Board believed that the structure was conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently. The Board believed that Mr. Shao's appointment to the posts of Chairman and the Chief Executive Officer was beneficial to the business prospects and management of the Company.

On 1 December 2016, Mr. Shao resigned from the position as Chief Executive Officer and Mr. Wong Shing Fat was re-designated from position of Vice Chairman of the Board to Chief Executive Officer. Since then and up to the date of this report, the Company has complied with code provision A.2.1 of the CG Code regarding the separation of roles of chairman and chief executive.

BOARD COMMITTEES

The Board has established the Audit, Remuneration and Nomination Committees with term of reference to deal with certain corporate governance aspects of the Group. The term of reference of these Committees are published on the Company's website — www.modernmedia.com.cn and the Stock Exchange website. From time to time, the Board also establishes other board committees to deal with specific aspects of its business. Each Committee is appointed with written terms of reference and each member of the Committee has a formal letter of appointment setting out key terms and conditions relating to his appointment. Each Committee meets as frequently as required by business developments and the operation of the Group. Committee members are provided with adequate and timely information before each meeting or discussion. All Committee members are asked to review and comment on the minutes of their meetings within a reasonable time after the meetings. The procedures and arrangements relating to the meetings of the Board apply to meetings of the Board Committees wherever appropriate.

In November 2016, the Board also established an Environmental, Social and Governance Committee ("ESG Committee") to formulate the policies and implement the procedures to deal with environmental, social and governance affairs of the Group.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") in 2009 with latest written terms of reference adopted by the Board on 25 December 2015. The Audit Committee initially comprises three Independent Non-executive Directors, namely, Mr. Au-Yeung Kwong Wah (chairman of the Audit Committee), Mr. Wang Shi and Mr. Jiang Nanchun. Dr. Gao Hao, an Independent Non-executive Director, was appointed as a committee member on 18 August 2016.

The Audit Committee members have professional qualifications and experience in financial matters that enable the Committee to exercise its powers effectively and provide the Board with independent views and recommendations in relation to financial matters.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and the internal control procedures of the Group. The terms of reference of the Audit Committee are aligned with the recommendations as set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of Audit Committee:

(a) To consider the appointment of the external auditors and any question of resignation or dismissal;

(b) To discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) To review the half-year and annual financial statements before submission to the board, focusing particularly on:

  (i) Any changes in the accounting policies and practices adopted by the group;

  (ii) Major accounting estimates and judgmental areas;

  (iii) Significant adjustments following the audit;

  (iv) The going concern assumption;

  (v) Compliance with accounting standards; and

(vi) Compliance with the requirements of the Stock Exchange and related legal requirements

(d) To discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(e) To review the audit program of the internal audit function (if applicable); and

(f) To oversee the Company's financial reporting system and internal control system, and in particular the risk management system for the year commencing 1 January 2017.

The Audit Committee holds two regular meetings annually and also meets at such other times as are necessary. Any Audit Committee member may convene a meeting of the Committee. The external auditor may also request the Committee Chairman to convene a meeting of the Audit Committee. The Audit Committee may invite the external auditor and/or members of Management to attend any of the meetings. Special meetings may be called at the discretion of the Committee Chairman or at the request of Management to review significant internal control or financial issues. The Committee Chairman reports to the Board at least twice a year on the Committee's activities and highlights any significant issues. The number of meetings of the Audit Committee held and attended by each of the Audit Committee members during the year were:

	Number of meetings attended	**Number of meetings held during 2016 (or during the tenure of the respective director, as the case may be)**
Mr. Au-Yeung Kwong Wah	3	3
Mr. Wang Shi	0	3
Mr. Jiang Nanchun	3	3
Dr. Gao Hao (appointed with effect from 18 August 2016)	1	3

The following is a summary of the work performed by the Audit Committee during the year:

(a) Approval of the remuneration and terms of engagement of the external auditors;

(b) Review of the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) Discuss with the external auditors regarding the nature and scope of the 2016 audit;

(d) Review of the half —year and annual financial statements of the Group before the submission to the Board for the approval;

(e) Review of the Group's financial reporting and internal controls and risk management processes; and

(f) Meeting with the external auditors without the presence of the Board members.

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2016.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2016.

REMUNERATION COMMITTEE

The Company has established a remuneration committee ("Remuneration Committee") in 2009 with written terms of reference. The Remuneration Committee currently comprises two Independent non-executive Directors, namely Mr. Au-Yeung Kwong Wah (chairman of the Remuneration Committee) and Mr. Jiang Nanchun and one executive Director, namely Mr. Wong Shing Fat. The primary duties of the Remuneration Committee are to make recommendations to the Board on, among other things, the Company policy and structure for the remuneration of all Directors and senior management of the Company by making reference to market rates, their duties and responsibility to determine on behalf of the Board the specific remuneration packages and conditions of employment for all the executive Directors and senior management of the Company.

The duties of the Remuneration Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Committee usually meets once a year and at such other time as is necessary. Any Committee member may convene a meeting of the Remuneration Committee. The number of meetings of the Remuneration Committee held and attended by each of the Remuneration Committee members during the year were:

	Number of meetings attended	Number of meetings held during 2016
Mr. Au-Yeung Kwong Wah	2	2
Mr. Jiang Nanchun	2	2
Mr. Wong Shing Fat	1	2

Note:

1. During the financial year ended 31 December 2016, the Board has circulated and passed a written resolution on 1 occasion which is dated 8 July 2016, apart from the physical committee meetings stated above.

During the year ended 31 December 2016, the Remuneration Committee has performed the following works:

- reviewed and discussed the remuneration policy of the Group and the remuneration packages of directors of the Company;
- determined the remuneration of the executive Directors of the Company;
- reviewed and approved an award of shares under the Company's Share Award Scheme, as approved by the Board of Directors of the Company. Please refer to note 23(a) to the financial statements of this Annual Report on page 144.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2016 are set out in notes 35(a) and 31(d) to the financial statements.

NOMINATION COMMITTEE

The Company has established a nomination committee ("Nomination Committee") in 2012 with written terms of reference. The Nomination Committee currently comprises three Independent non-executive Directors, namely Mr. Wang Shi (chairman of the Nomination Committee), Mr. Au-Yeung Kwong Wah, Mr. Jiang Nanchun. The primary duties of the Nomination Committee are including reviewing the structure, size and composition of the Board annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of directors having regard to the balance of skills and experience appropriate to the Group's business.

The duties of the Nomination Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Committee usually meets once a year and at such other time as is necessary. Any Committee member may convene a meeting of the Nomination Committee. The number of meeting of the Nomination Committee held and attended by each of the Nomination Committee members during the year was:

	Number of meetings attended	Number of meetings held during 2016
Mr. Wang Shi	0	2
Mr. Au-Yeung Kwong Wah	2	2
Mr. Jiang Nanchun	2	2

During the year ended 31 December 2016, the Nomination Committee has performed the following works:

- reviewed the structure and composition (including the skills, knowledge and experience) of the Board;
- assessed the independence of the independent non-executive Directors;
- recommended the Board for the appointments of Mr. Deroche Alain as the executive Director and Dr. Gao Hao as independent non-executive Directors.

Note:

1. During the financial year ended 31 December 2016, the Board has circulated and passed a written resolution on 1 occasion which is dated 23 November 2016, apart from the physical committee meetings stated above.

Board Diversity Policy

On 15 August 2013, the Company adopted the Board diversity policy ("Policy") in accordance with the requirement set out in code provision of the CG Code. The Company recognizes and embraces the benefits of having a diverse Board, and sees diversity at Board level is essential in achieving a sustainable and balanced development.

The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. All Board appointments will be based on merit while taking into account diversity including gender diversity.

The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of this Policy.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this annual report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Government Report.

INTERNAL CONTROLS

The Group has established internal controls in all material aspects of its business including financial, operational, compliance and risk management functions. These internal controls are intended to safeguard the shareholders' investments and the Group's assets. To the extent relevant, the Group's internal control framework uses aspects from the internal control and risk management framework proposed by the Hong Kong Institute of Certified Public Accountants.

The responsibilities for maintaining the Group's internal controls are divided between the Board and management. The Board is responsible for setting and reviewing internal control policies to monitor the Group's internal control systems. The Board delegates the implementation of these policies to management. Management is responsible for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective internal control system which implements the policies adopted by the Board. The Company has set up its own internal audit department to perform an internal audit function in 2010. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the Audit Committee and the Board of Directors. The Board acknowledges that it is responsible for the Group's systems of internal control and for reviewing its effectiveness. Preliminary reviews of the Group's financial controls, internal control and risk management systems prior to formal reviews by the Board have been delegated to the Audit Committee in accordance with its terms of reference. The Audit Committee reviews the Group's financial controls, internal control and risk management systems at its regular Audit Committee meetings. The Company Secretary closely monitored the legislative progress on the statutory codification of certain requirements to disclose price sensitive information as formulated in the Securities and Future (Amendment) Bill 2011, to ensure application with obligations under applicable rules, regulations and laws. It should be noted, however, that while a sound and well-designed system of internal control helps to provide reasonable safeguards to assist the Group in achieving its business objectives, the system itself cannot provide protection with certainty against the Group failing to meet its business objectives or against all material errors, losses, fraud or breaches of laws or regulations. For this reason, the Board's review of the internal controls should not be treated as an absolute assurance that one of the risks mentioned above would not materialize. The Board reviewed the effectiveness of the Group's material controls, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, qualifications and experience of staff of its accounting and financial reporting function and their training programs and budget during the year and considered the Group's system of internal controls to be satisfactory.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear ad understandable assessment of annual and interim reports, price sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board of approval.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2016.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR

Grant Thornton Hong Kong Limited ("Grant Thornton") was first appointed as the auditors of the Group in 2016 after the resignation of previous auditors, PricewaterhouseCoopers ("PwC"). During 2016, Grant Thornton provided the following audit and non-audit services to the Group:

	2016 HK$'000	2015 HK$'000
Audit services	1,180	2,125
Other non-audit services	81	477
Total	1,261	2,602

Grant Thornton will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in 9 May 2017.

A statement by Grant Thornton about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report section of this Annual Report on pages 77 to 81.

COMPANY SECRETARY

The company secretary of the Company, Mr. Mok Chun Ho, Neil, who is also an executive Director, is responsible for supporting the Board, ensuring good information flow within the Board and Board policy and procedures are followed, advising the Board on government matters, facilitating induction and, monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the year. His biography is set out in page 52 of this report.

INVESTOR RELATIONS & SHAREHOLDERS' RIGHTS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this Annual Report, sufficient shares of the Company were on public float as required by the Listing Rules. The Board and management recognize their responsibility to act in the best interests of the Company and its shareholders as a whole. Shareholder relations play an integral part in corporate governance. The Group keeps shareholders informed of its performance, operations and significant business developments by adopting a transparent and timely corporate disclosure policy which complies with the Listing Rules and provides all shareholders equal access to such information. We report on financial and operating performance to shareholders twice each year through annual and interim reports. We give shareholders the opportunity to raise concerns or propose recommendations to the Board at the Company's annual general meetings. A representative of the Company's external auditor is requested to attend the annual general meetings to answer questions about the external audit and the audit report. Shareholders may visit our website: www.modernmedia.com.cn for up-to-date financial and other information about the Group and its activities.

The Company promotes fair disclosure of information to all investors and care is taken to ensure that analyst briefings and other disclosures made by the Company comply with the Listing Rules' prohibition against selective disclosure of price sensitive information. Shareholders have specific rights to convene extraordinary general meetings under the Company's Articles and Association.

1. Procedure for shareholders to convene an extraordinary general meeting

1.1 The following procedures for shareholders (the "Shareholders", each a "Shareholder") of the Company to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the articles of association of the Company:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of the deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the company secretary of the Company via email at the email address of the Company at hk@modernmedia.com.hk.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedure for raising enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a shareholder communication policy on 29 February 2012.

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or call its hotline at (852) 29801333, or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at hk@modernmedia.com.hk, fax: (852) 28919719 or mail to 7/F, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong. Shareholders may call the Company at (852) 22509188 for any assistance.

3. Procedure and contact details for putting forward proposals at shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, a Shareholders should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information via email at the email address of the Company at hk@modernmedia.com.hk.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's branch share register in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days in writing if the Proposal requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company;

(2) Notice of not less than 14 clear days in writing if the Proposal requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company;

Up to the date of this Annual Report, no shareholder has requested the Company to convene an extraordinary general meeting.

The Company's next annual general meeting will be held on 9 May 2017 at 7/F., Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association ("Articles") of the Company were amended pursuant to a special resolution passed on 28 May 2012. The latest Articles are available on the HKEx's and Company's websites. There was no change to the Company's Articles during the year 2016.

CONCLUSION

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect shareholders' interest and the management tries to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Biographical Details of Directors & Senior Management

DIRECTORS

Mr. SHAO Zhong (邵忠), aged 56, the chief content officer and chairman of the Board, who is also the founder of our Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as chairman of the Board and executive Director in July 2009. Mr. Shao was the chief executive officer from September 2015 to November 2016. Mr. Shao is responsible for the overall corporate strategies, policy-formulating, instilling corporate philosophy as well as strategic planning, development and expansion of the Group's new media businesses. Prior to founding our Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Media Leading Icon at China Media Forum in 2010.

Mr. WONG Shing Fat (黃承發), aged 58, the chief executive officer of our Group responsible for the corporate and business planning and development as well as the overall management and operation of our Group. Mr. Wong was appointed as the executive Director of our Group in July 2009. He joined our Group in January 2003 as a chief consultant and also assumed the role as the chief operation officer and was subsequently promoted as the chief executive officer of our Group in September 2006. Mr. Wong was appointed as vice chairman in September 2015. Prior to joining our Group, Mr. Wong undertook senior positions in several international reputable advertising companies and was responsible for the media planning, overall operational management and business development in the greater China region. Mr. Wong has over 30 years of experience in media operation and management of the advertising and media industries. Mr. Wong was granted the "SALUTE" Media Award by the Association of Accredited Advertising Agencies of Hong Kong in 1996 in recognition of his professional and significant contribution to the advertising industry in Hong Kong.

Mr. MOK Chun Ho, Neil (莫峻皓), aged 51, the chief financial officer of our Group responsible for the general financial planning and management of our Group. Mr. Mok joined our Group in March 2003 and was appointed as an executive Director of our Group in July 2009. He obtained his MBA degree from Charles Sturt University in Australia in November 2002 and the Diploma in Accountancy from the Lingnan College of Hong Kong (currently known as Lingnan University) in November 1989. Mr. Mok was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the associate member of the Taxation Institute of Hong Kong and The Hong Kong Institute of Chartered Secretaries in February 2010, April 1999 and May 2011, respectively. Mr. Mok has over 22 years of experience in finance and accounting management through his previous financial positions with several listed and private companies in Hong Kong.

Ms. YANG Ying (楊瑩), aged 41, was appointed as an executive Director with effect from 1 September 2015. Ms. Yang was graduated in Shanghai Foreign Trade College, majored in Foreign Trade Economy and obtained her executive master of business administration degree from a course jointly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Yang has more than 17 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Yang worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Yang joined the Group as Marketing Director of its Shanghai Office and further on promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Yang joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August, 2009, Ms. Yang rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Biographical Details of Directors & Senior Management *(continued)*

Mr. LI Jian (李劍), aged 41, was appointed as an executive Director with effect from 1 September 2015. Mr. Li joined the Group in September 2011 as the deputy publisher for "Bloomberg Businessweek 商業周刊中文版/China" and deputy general manager of the Group's operations in the Beijing region. He was promoted, on 2 September 2012 and in February 2013 respectively, to the general manager of the Beijing region and the publisher for "Bloomberg Businessweek 商業周刊中文版/China", "Bloomberg Businessweek 商業周刊中文版" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek 商業周刊中文版". Prior to joining the Group, he had served in two international media companies and held various senior positions, such as the publisher for a number of media. Mr. Li was a pioneer in the digital publication and visual media industries and has accumulated 13 years of working experience in the media field. In the earlier years, Mr. Li had worked for internationally well-known consulting agencies. Mr. Li has gained extensive experience in cross-media operations from international media groups over the years, which will facilitate the Group in exploring and integrating cross-media platforms that will contribute to the development of business. He graduated from John Molson Business School, Concordia University of Canada with a bachelor's degree in Business in 2000.

Mr. Alain DEROCHE, aged 55, was appointed as an executive Director with effect from 1 June 2016. Mr. Deroche joined our Group in June 2008 as vice president and publishing director of the Group and has since been responsible for the management of our Group's international copyright business and the planning and content innovation for our Group's printed publications. Before his appointment as an executive Director, Mr. Deroche was the publishing director of two of our Group's international titles, namely "Numero" and "The Good Life", and was also the co-publisher of "IDEAT". Mr. Deroche has extensive experience in international media management of the international media industry. Prior to joining our Group, Mr. Deroche was employed by Hachette Filipacchi Associes, a publishing house in France from September 1989 to June 2008. Immediately before he left the said entity, Mr. Deroche served as the general manager in charge of the publication in the PRC. He was also the publishing director for ELLE's international edition from 1999 to 2005. Mr. Deroche obtained his postgraduate degree in international business administration from Université de Paris-Dauphine (English translation: Paris Dauphine University) of France in October 1986.

NON-EXECUTIVE DIRECTOR

Dr. CHENG Chi Kong (鄭志剛), aged 37, was appointed as the non-executive Director in April 2013 and was appointed as the non-executive vice chairman of the Board with effect from 1 December 2016. Dr. Cheng obtained a Bachelor of Arts degree (cum laude) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He worked in a major international bank and has substantial experience in corporate finance. Dr. Cheng serves as executive director of a number of companies which are listed on the Main Board of the Stock Exchange, including New World Development Company Limited, New World Department Store China Limited, Chow Tai Fook Jewellery Group Limited, International Entertainment Corporation and a non-executive director of Giordano International Limited. Dr. Cheng ceased to be an executive director of New World China Land Limited with effect from 4 August 2016 upon its withdrawal of listing on the Stock Exchange.

Dr. Cheng is also the vice-chairman of the All-China Youth Federation, the vice chairman of the Youth Federation of the Central State-owned Enterprises, a member of the Tianjin Municipal Committee of The Chinese People's Political Consultative Conference, the chairman of China Young Leaders Foundation, the chairman of New World Group Charity Foundation Limited, the founder of K11 Art Foundation and a member of Board of the West Kowloon Cultural District Authority.

Biographical Details of Directors & Senior Management *(continued)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shi (王石), aged 65, was appointed as the independent non-executive Director in August 2009. Mr. Wang has almost 20 years of experience in real estate development in the PRC. Mr. Wang was the founder of China Vanke Co., Ltd. which was listed on the Shenzhen Stock Exchange starting from 1984. He acted as its general manager from 1988 to 1999, and he also acted as its chairman from 1988 till now. Mr. Wang obtained his bachelor's degree in water supply studies from Lanzhou Jiaotong University in China in September 1977.

Mr. JIANG Nanchun (江南春), aged 44, was appointed as the independent non-executive Director on in August 2009. Mr. Jiang has over 20 years of experience in the media and advertising industries in the PRC. He held the office of chief executive officer of Everease Advertising Corporation, which is one of the top 50 advertising agencies in China, from 1994 to 2003. In May 2003, Mr. Jiang became the general manager of Focus Media Advertisement. He also founded Focus Media Holding Limited ("Focus Media") (a company which is listed on the Shenzhen Stock Exchange) and served as its chairman of the board of directors. Mr. Jiang obtained his bachelor's degree in Chinese language and literature from East China Normal University in China in 1995.

Mr. AU-YEUNG Kwong Wah (歐陽廣華), aged 52, was appointed as the independent non-executive Director in August 2009. Mr. Au-Yeung obtained a bachelor's degree in commerce from The Bond University in Australia in September 1996, a master's degree in accountancy from The Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University in December 2005 and an EMBA degree from The Chinese University of Hong Kong in December 2008. Mr. Au-Yeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 18 years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. Au-Yeung was appointed as the executive director of China Lumena New Materials Corp. in September 2014 and resigned from his position as executive director in April, 2015.

Dr. GAO Hao (高皓), aged 34, was appointed as the independent non-executive Director in August 2016. Dr. Gao was awarded a bachelor's degree in engineering from Tsinghua University, the PRC, in July 2005 specialising in automation, and also a bachelor's degree in economics from Peking University, the PRC, in July 2007, respectively. Dr. Gao was further awarded a Ph.D. degree in management from Tsinghua University, the PRC, in June 2012 specialising in management science and engineering. Dr. Gao was the chief editor of 《家族企業治理叢書》and《家族財富傳承叢書》 published by People's Oriental Publishing & Media Co., Ltd. (The Oriental Press) (人民東方出版傳媒有限公司(東方出版社)) since January 2011 to June 2016. Dr. Gao is currently the head of the Global Family Business Research Center of Tsinghua University PBC School of Finance （清華大學五道口金融學院）.

SENIOR MANAGEMENT

Ms. ZHONG Yuanhong (鍾遠紅), aged 45, the administration and production controller of our Group. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 years. Ms. Zhong completed her secondary education in Guangzhou No. 62 middle school in June 1989. She has over 18 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

Biographical Details of Directors & Senior Management *(continued)*

Mr. CHING Siu Wai (程少偉), aged 51, joined our Group in July 2003 as the creative director of City Magazine and is now the deputy general manager in Hong Kong, creative director of our Group and also the publishing director of City Magazine in Hong Kong. Mr. Ching is responsible for the management of the creative design business of our Group and the operation and management of City Magazine. Mr. Ching obtained a diploma in design from HK Chingying Institute of Visual Arts. He has over 23 years of solid experience in magazine design and the media industry. Mr. Ching was granted the Best Magazine Design Award by the Society of Publishers in Asia in 2005 and 2007 respectively.

Mr. LIM Timothy Edward (林添靈), aged 42, joined our Group in February 2006 and is the fashion director of our Group responsible for the planning and development of the fashion aspects of the Magazines. Prior to joining our Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, Marie Claire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 17 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Ms. HUANG Wenhua (黃文樺), aged 46, joined our Group in June 2002 and is the regional general manager of Guangzhou, responsible for the operation and management of the advertising business in Southern China. Prior to joining our Group, Ms. Huang was the head of the customer relations department in Central Hotel in Guangzhou for 2 years. She completed her secondary education in Guangzhou. Ms. Huang has over 15 years of experience in the media industry.

Ms. YEH Shaway (葉曉薇), aged 48, joined our Group in May 2006 and is now the Style Editorial Director of the Group, responsible for the provision of style editorial direction to several publications and mobile Apps of the Group. Under Ms. Yeh's editorial direction, Modern Weekly reaches China's elite readers with the latest international news, trends, phenomena and discussion in the fields of Style and Culture. Ms. Yeh obtained her master degree on performing arts from New York University in U.S. in 1994. Before moving to China, she worked for aRUDE magazine in New York (1994) and GQ Taiwan (1996). Ms. Yeh moved to Shanghai in 2003 for the preparation of Vogue China launch. Before joining our Group, Ms. Yeh helmed communication in China for Prada in 2005. She spoke on forums at China Fashion Designers Association, The Wolpole British Luxury, Hong Kong Art Fair and served as Jury for Swiss Textile Fashion Award, Rado Young Design Prize, Asian WSJ Innovation award etc.

Ms. MA Li (馬驪), aged 34, joined our Group in November 2009 and now is the finance and controlling director of the Group, responsible for the financial planning and analysis of the Group and all media business units. Apart from financial management, she is also responsible for internal controls and policy management for the Group. Prior to joining the Group, she had worked for PricewaterhouseCoopers as the senior auditor for over 5 years. She obtained her bachelor of management and bachelor of finance from Shanghai University of Finance and Economics. She is the member of The Institute of Internal Auditors and has over 10 years experience in finance and control management.

Ms. ZHANG Kui (張葵), aged 45, the national finance director of the Group, Ms. Zhang joined our Group in March 2005, she is responsible for establishing the group's financial management accounting system, formulate financial system, and is responsible for the financial accounting for the group, and the formulation and implementation of tax planning. Before joining the group, Ms. Zhang worked for domestic large state-owned enterprises, responsible for the financial work in the state-owned enterprises for more than 10 years, she has rich experience in finance management and tax planning. Ms. Zhang graduated from Jinan university with a bachelor's degree in management, she is a senior accountant, certified tax agent and obtained management institute of occupational qualification registered in China. She has more than 20 years of experience in the financial and tax management.

Directors' Report

The Directors are pleased to submit their report together with the audited financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

BUSINESS REVIEW

Key financial and business performance indicators

The key financial and business performance indicators comprise profitability growth, return on equity, dividend growth and gearing ratio. Details of profitability analysis are shown in "Management Discussion and Analysis" section of this annual report. The Group's return on equity, based on profit after tax to net asset, decreased by 3.8% to 0.6% in the year under review as compared to the previous year, which mainly due to the decline in revenue as a result of the sluggish advertising market, and the increasing production costs as we evolved to different forms of advertising such as soft article edition, organized events and forums, etc.. Directors proposed a final dividend of HK$1.0 cent per share for the current year, which was decreased owing to a significant drop of profit after tax. The Group's gearing ratio, calculated based on bank borrowings to total assets, increased slightly from 17.7% in 2015 to 18.4% in the year under review; the Group will continue to safeguard its capital adequacy position, whilst to maintain a balance between business growth and risk management.

Environmental, Social and Governance

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

In November 2016, the Board also established an Environmental, Social and Governance Committee ("ESG Committee") to formulate the policies and implement the procedures to deal with environmental, social and governance affairs of the Group.

Environmental protection

The Group has implemented internal recycling program on a continuous basis for consumable good such as toner cartridges and paper to minimize the operation impact on the environment and natural resources. Recycled papers have also been used as key printing materials. The Group also implemented energy saving practices in offices and branch premises where applicable. The Group also plans to complete the upgrade of air-conditioning and electricity systems to achieve the energy saving and provision of clear air to workplace where possible.

Workplace Quality

The Group is an equal opportunity employer and encourages diversity regardless of age, gender, marital status and race. A Board Diversity Policy, with the aim of enhancing the quality of the Board's performance by diversity, was adopted in August 2013.

The Group believes that employees are the valuable assets of an enterprise and regards human resources as its corporate wealth. The Group is people-focused, we attract and retain key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group.

We provide on-the-job training and development opportunities to promote staff self-actualization and enhance our employees' career progression. We also encourage staff participation of external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and tax knowledge. It is believed that the staff knowledge and skills are aligned and enhanced through relevant, systematic and planned trainings which in return can improve the efficiency and productivity of the Group.

The Group encourages continuous professional development training for the Directors and senior management to develop and refresh their knowledge and skills which includes seminars and workshops, updates on regulatory requirements and development and corporate governance practices.

The Group provides competitive remuneration package to attract and motivate the employees. It offers competitive remuneration, share award schemes, medical benefits, insurance and leave entitlement commensurate to market standards, and we regularly review the remuneration package of employees and make necessary adjustments to confirm to the market standards. We establish and implement policies that promote a harmonious and productive workplace.

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprises employees, customers, service vendors, regulators and shareholders.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Groups' human resource management is to reward and recognize performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate training and providing opportunities within the Group for career advancement.

Customers

The Group's principal customers are from 4A advertising companies and branded customers which place their advertisements on our printed and digital media products. The Group has the mission to provide excellent and creative customer service whilst maintain our long-term profitability, business and asset growth. Various means have been established to strength the communication between the customers and the Group in the provision of excellent customer service towards market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain which can derive cost effectiveness and foster long-term business benefits. The key service vendors comprise the printing vendors, overseas and local licensors and contents providers, photos suppliers and other business partners which provide value-added services to the Group.

Regulators

The Group operates in advertising sector which is regulated by the Hong Kong Stock Exchange, Securities and Futures Commission, News and Publication Bureau ("新聞出版局") in the PRC and other relevant authorities. It is the Group's desire to keep up-to-date and ensure the compliance with new rules and regulations.

Shareholders

One of our corporate goals of the Group is to enhance corporate value to shareholders. The Group is poised to foster business developments for achieving the sustainability of earnings growth and rewarding shareholders by stable dividend payouts taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

Principal risks and uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group's principal business activities comprise the provision of advertising services to advertising agencies and branded customers. It will be exposed to a variety of key risks including credit risk, interest risk, liquidity risk, operational risk and market risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 "Financial Risk Management" to the financial statements of this annual report.

The Group's business and profitability growth in the year under review is affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong. The PRC government had continued on with its anti-corruption crack down which severely impacted the sentiment of the retail market, especially in luxury consumption. The brand advertisers cut down their budget which was reflected in the downward trend of the advertising spending in recent years. The long-term business and profitability growth of the Group is expected to continue to be affected by the changes in macro-economic variables including real GDP growth, consumer price index, credit demand, unemployment rate etc. of the PRC and Hong Kong.

Proposed spin-off

As mentioned in the Company's announcement dated 27 June 2016 and other previous announcements concerning the proposed spin-off of the digital and television production businesses of the Group, the Company has decided to postpone the application of proposed spin-off to a later stage owing to the volatility of the capital market. Following that, the Company will actively investigate and explore the opportunities to kick-off the proposed spin-off again.

Future business development

In the coming future, we will continue to foster the implementation of vertical industry chain integration, upgrade and optimize the existing assisted purchase feature on e-commerce, enhance online and offline activity and develop the integrated marketing brand consultancy service. Also, we will further develop the art sector business by leveraging on our existing strengths of our art and commercial media platforms through the organization of art exhibitions or activities and the provision of art consultation services.

Despite the foregoing, the Group will continue to seek sustainable business expansion and market penetration, and to pursue profitability growth by diversification of income streams, improvement of cost efficiency and containing of bad debts. The Group will also adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

On 10 March 2017, the Company entered into an investment agreement with Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), pursuant to which each of the Company and Septwolves Invest have agreed to subscribe for certain shares of Modern Digital Holdings Limited ("MDHL"), a wholly-owned subsidiary of the Company. The Company is of the view that, apart from providing an immediate funding and increasing the liquidity of the Group, introducing Septwolves Invest, whose ultimate controlling shareholders have the expertise, rich resources and networking, as a strategic shareholder of MDHL would optimize sales network of MDHL, and assist MDHL in developing and strengthening its long-term business development by leveraging on the financial strengths and extensive business networks of Septwolves Invest (and its associated corporations). For further details, please refer to the announcements of the Company dated 10 March 2017 and 22 March 2017 respectively.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The particulars and activities of the Company's subsidiaries are set out in note 11 to the consolidated financial statements. An analysis of the Group's performance for the year by business segments is set out in note 5 to the consolidated financial statements.

FINANCIAL RESULTS AND DISTRIBUTABLE RESERVES

The profit of the Group for the year and the state of affairs of the Company and the Group as at 31 December 2016 are set out in the consolidated financial statements on pages 82 to 84 and page 159.

Movements in the reserves of the Company and amounts available for distribution to shareholders are disclosed in note 24 to the financial statements. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 85.

DIVIDEND

The Directors have declared a final dividend of HK1.0 cent (2015: HK2.5 cents) per share amounting to HK$4.4 million, which represents approximately 129.1% of the net profit of 2016, payable to shareholders whose names appear on the Register of Members of the Company on 18 May 2017 and payable on 8 June 2017.

SHARE CAPITAL

Details of the movements in the authorized and issued share capital of the Company are set out in note 22 to the financial statements.

During the year ended 31 December 2013, an aggregate of 1,076,000 shares of the Company were agreed to be issued to eligible participants following the acquisition of 每城美客（北京）網路科技有限公司 ("Linkchic") pursuant to the terms and conditions under the agreement for the acquisition of LInkchic, which were set out in the Company's announcement dated 23 April 2013. On 29 July 2016, 70,659 shares were issued and vested to the eligible participants for nil consideration for their continuing services in Linkchic. For more information, please refer to Note 23(b) to the financial statements.

FIXED ASSETS

Movements in the fixed assets of the Group are set out in note 14 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 34.0% and 15.9% of the Group's total purchases for the year ended 31 December 2016 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 41.6% and 10.8% of the Group's total sales for the year ended 31 December 2016 respectively.

As far as the Directors are aware, neither the Directors, their associates, nor shareholders who own more than 5% of the Company's share capital as at 31 December 2016 had any interest in any of the five largest suppliers and customers disclosed above.

FIVE YEAR SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 164.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr. Shao Zhong *(Chairman)*
Mr. Wong Shing Fat
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain (appointed with effect from 1 June 2016)

Non-executive Director

Dr. Cheng Chi Kong *(Vice-Chairman)*

Independent non-executive Directors

Mr. Wang Shi
Mr. Jiang Nanchun
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao (appointed with effect from 18 August 2016)

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as otherwise notified to the Company:

Long Positions in the Company

Name of Director	Company/Name of Group member	Capacity/Nature of interest	Number of ordinary shares of the Company held	Approximate % of issued share capital
Shao Zhong ("Mr. Shao")	The Company	Beneficial owner	280,038,000	63.88%
Wong Shing Fat	The Company	Beneficial owner	2,152,000	0.49%
Mok Chun Ho, Neil	The Company	Beneficial owner	2,304,000	0.53%
Yang Ying	The Company	Beneficial owner	110,000	0.03%
Deroche Alain	The Company	Beneficial owner	94,000	0.02%

Long Positions in the associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
Mr. Shao	北京現代雅格廣告有限公司 (Beijing Modern Yage Advertising Co., Ltd.*, "Beijing Yage")	Interest of controlled corporations *(Note 2)*	100%
Mr. Shao	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*, "Beijing Yage Zhimei")	Interest of controlled corporations *(Note 3)*	100%
Mr. Shao	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*, "Guangzhou Modern Information")	Beneficial owner	100%
Mr. Shao	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.*, "Guangzhou Modern Books")	Beneficial owner	90%
Mr. Shao	Guangzhou Modern Books	Interest of controlled corporations *(Note 4)*	10%
Mr. Shao	上海格致廣告有限公司 (Shanghai Gezhi Advertising Co., Ltd.*, "Shanghai Gezhi")	Interest of controlled corporations *(Note 5)*	100%
Mr. Shao	上海雅格廣告有限公司 (Shanghai Yage Advertising Co., Ltd.*, "Shanghai Yage")	Interest of controlled corporations *(Note 6)*	100%
Mr. Shao	深圳雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*, "Shenzhen Yage Zhimei")	Interest of controlled corporations *(Note 7)*	100%
Mr. Shao	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*, "Zhuhai Modern Zhimei")	Interest of controlled corporations *(Note 8)*	100%
Mr. Shao	珠海銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu")	Beneficial owner	90%
Mr. Shao	Zhuhai Yinhu	Interest of controlled corporations *(Note 9)*	10%
Mr. Shao	廣州摩登影視娛樂有限公司 (Guangzhou Modern Film Entertainment Co., Ltd *, "Guangzhou Modern Film" formerly known as "Guangzhou Modern Video")	Interest of controlled corporations *(Note 10)*	100%
Mr. Shao	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited.*, "Guangzhou Xiandai")	Interest of controlled corporations *(Note 11)*	100%
Mr. Shao	上海森音信息技術廣告有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Interest of controlled corporations *(Note 12)*	100%

* denotes English translation of the name of a Chinese company or entity is provided for identification purposes only

Notes:

1. The letter "L" denotes the Director's long position in the Shares.

2. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.

3. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

4. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

5. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.

6. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporation.

7. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.

8. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

9. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao's controlled corporation

10. Guangzhou Modern Film, was formerly known as Guangzhou Modern Video Media Co., Ltd.* (廣州摩登影視娛樂有限公司), is held as to 100% by Guangzhou Mobile Digital. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Film held by Guangzhou Mobile Digital of which is Mr. Shao's controlled corporation.

11. Guangzhou Xiandai is held as to 95% by Mr. Shao and as to 5% by Shanghai Senyin. Mr. Shao is accordingly deemed by the SFO to be interested in the 5% equity interest in Guangzhou Xiandai held by Shanghai Senyin which is Mr. Shao's controlled corporation.

12 Shanghai Senyin is held as to 95% by Mr. Shao and 5% by Ms. Zhong Yuanhong, an employee of the Group, on trust for Mr. Shao.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITIONS DISCLOSABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 December 2016, the Company had been notified of the following shareholder other than Directors having interests in shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at 31 December 2016
Madam Zhou Shao-min *(Note 1)*	Interest of spouse	280,038,000	63.88%
FIL Limited	Beneficial owner	34,572,000	7.89%
Harmony Master Fund *(Note 2)*	Beneficial owner	23,108,000	5.27%
United Achievement Limited *(Note 3)*	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, LLC *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%

Notes:

1. Madam. Zhou Shao-min is the spouse of Mr. Shao Zhong, under the SFO, she is deemed to be interested in the Shares held by Mr .Shao.

2. Harmony Master Fund ("Harmony Fund") is a long-only equity fund registered in Cayman Island. Harmony Fund is managed by DM Fund Management Limited, a company registered in Cayman Island and a subsidiary of DM Capital Limited, a company incorporated in British Virgin Islands. Harmony Fund primarily holds long equity positions in small capitalization stocks that derive a majority of their revenues within the Greater China region. The fund adopts a fundamentals-driven bottom-up approach to stock selection focusing on high growth, high quality and under-reported investment opportunities that are attractively valued. Upon building an investment position, the fund will exercise a "Friendly Activist" approach seeking to constructively engage portfolio companies and add value through guiding improvement in fundamental characteristics such as corporate governance and company strategy. The figure shown in the above table is based on confirmation recently received from Harmony Fund (and according to the relevant DI Notice in connection with the Company available on www.hkex.com.hk as at 31 December 2016, the number of Shares as reported in such notice to be held by the relevant shareholder was 22,244,000.

3. According to the corporate substantial shareholder notice of Warburg Pincus & Co. dated 23 May 2011, United Achievement Limited is 96.9% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly and indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by United Achievement Limited.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the Awards made up to 31 December 2016 are set out in note 23(a) to the financial statements of this Annual Report on page 144.

SHARE OPTION SCHEME

A share option scheme ("Scheme") was conditionally adopted by a resolution in writing passed by the then sole shareholder of the Company on 24 August 2009. Under the Scheme, the Directors may grant options to subscribe for shares of the Company to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries. No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year. No share option was outstanding under the Scheme as at 31 December 2016.

Purpose and its participants

The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Scheme include (i) employees of the Company, its subsidiaries or invested entity; (ii) non-executive directors (including independent non-executive directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (v) any company wholly owned by one or more eligible participants as referred to in the above categories.

Total number of Shares available for issue

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital ("Issued Share Capital") of the Company from time to time. The total number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company as may from time to time adopted by the Company as permitted under the Listing Rules initially shall not in aggregate, exceed 10% of the Issued Share Capital as at the date of adoption of the Scheme (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the Shareholders). As at the date of 2016 Annual Report, the maximum number of Shares that may be granted under the Scheme was 40 million Shares. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year 2016 and no share option was outstanding under the Scheme as at 31 December 2016.

Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "individual Limit"). Any further grant of options in excess of the individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

Period within which the Shares must be taken by under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commerce on a day after the date upon which the offer for the grant of option is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

The minimum period for which an option must be held before being exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

The amount payable on acceptance of the option and the period within which payments be paid

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of such grant subject to the provisions for early termination thereof.

The basis of determining the exercise price

The subscription price per Share under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a Business Day; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of Share.

The remaining life

Subject to any earlier termination in accordance with its rules, the Scheme shall remain in force for a period of ten years commencing on 24 August 2009. As at the date of the 2016 Annual Report, the Scheme had a remaining life of slight more than two years.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

None of the Directors (including their spouses and children below 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year ended 31 December 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Investment in online search services held by Mr. Shao Zhong

As at 31 December 2016, Mr. Shao Zhong ("Mr. Shao"), an executive Director and the controlling Shareholder, held about 6.4% equity interest in a company ("Online Search Company") incorporated in Beijing, the PRC. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investments in the said business before the Group's commencement of the Mobile Digital Media Business.

As the Group's mobile digital media business currently focuses on online advertising and publication of multiple digital media products, the Directors believe that the business of the Online Search Company currently does not compete with the Group's business. If there is any change in the future, the Company would discuss with (if necessary) Mr. Shao on his ceasing to hold or disposing of such investment.

None of the Director of the Company has any interest in a business which competes or is likely to compete with the business of the Group during the year.

The independent non-executive Directors have reviewed the compliance with and enforcement of the terms of the non-competition undertakings by Mr. Shao. Based on, among other matters, the annual confirmation from Mr. Shao to the Company on compliance with the terms of the above non-competition undertaking, the Directors (including the independent non-executive Directors) consider that the above non-competition undertakings were only complied with and enforced during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" and "Continuing Connected Transactions" below, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No Director proposed to be re-elected at the forthcoming annual general meeting of the Company has an unexpired service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to article 188 of the Articles of Associations of the Company, every Director of the Company is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the financial year ended 31 December 2016.

The Company has taken out and maintained directors' liability insurance throughout the financial year ended 31 December 2016, which provides appropriate cover for the Directors.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the year.

CONNECTED TRANSACTIONS

Certain connected transactions took place during the financial year ended 31 December 2016 and/or subsisted as at 31 December 2016:

Contractual Arrangements

2009 Arrangements

Certain transactions entered into by us constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to the Company by the Stock Exchange subject to compliance of certain conditions. Such series of contracts entered into by, among others, 現代傳播（珠海）科技有限公司 (Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology")), Mr. Shao Zhong and the PRC Operational Entities (as defined in the prospectus of the Company dated 28 August 2009) (the "Contractual Arrangements") serves the purpose of providing the Group with effective control over the PRC Operational Entities to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to the Company. The 2009 Arrangements include:

(a) management and consultation services agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei (collectively the "Publishing and Investment Holding Entities"); (ii) Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage (collectively the "Sales Entities"); (iii) Shanghai Yage and Beijing Yage (collectively the "Production Entities"), pursuant to which the PRC Operational Entities have engaged Zhuhai Technology on an exclusive basis to provide consultation services in the management, sales and marketing, enterprise management and other supporting services in connection with the PRC Operational Entities' business. In return, each of the PRC Operational Entities agrees to pay to Zhuhai Technology fees on an annual basis in arrears. Fees payable to Zhuhai Technology by the PRC Operational Entities are equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Operational Entities, as audited by such certified public accountants of the PRC. Such management and consultation services agreements became effective when it was executed on 24 August 2009 and would remain effective for a perpetual term;

(b) equity pledge agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Mr. Shao; (ii) Mr. Shao and Guangzhou Modern Information; (iii) Zhuhai Yinhu; (iv) Zhuhai Modern Zhimei; (v) Guangzhou Modern Information and Guangzhou Modern Books, the payment of consultations services fees to Zhuhai Technology under the above management and consultation services agreements is secured in that Zhuhai Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. Furthermore, Zhuhai Technology is entitled to all dividends derived from the pledged equity interests in the PRC Operational Entities. The Equity Pledge Agreements become effective when it was executed on 24 August 2009;

(c) business operation agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, under which no material business transaction can be entered into by the PRC Operational Entities without the prior written consent of Zhuhai Technology. Furthermore, the PRC Operational Entities shall appoint individuals as nominated by Zhuhai Technology to be their directors and key management as and when Zhuhai Technology sees fit. Zhuhai Technology or its nominees is entitled to exercise their rights as if they were the shareholder of the PRC Operational Entities. Any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall also be paid to Zhuhai Technology. The business operation agreements became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term;

(d) option agreements dated 24 August 2009 entered into between Modern Media (HK) and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, pursuant to which Modern Media (HK) was granted options to acquire the entire equity interest in the PRC Operational Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Such option agreements became effective when it was executed on 24 August 2009 and will expire on the date on which all the equity interests in the PRC Operational Entities are transferred to Modern Media (HK) and/or its nominees;

(e) proxy agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao and Guangzhou Modern Information; (ii) Mr. Shao and Zhuhai Modern Zhimei; (iii) Mr. Shao, Guangzhou Modern Information and Guangzhou Modern Books, which authorize the Group to exercise its rights in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities. Such proxy agreements become effective when it was executed on 24 August 2009 and will remain effective during the term of the business operation agreements set out above; and

(f) trademark transfer agreement dated 24 August 2009 entered into between Zhuhai Technology and Guangzhou Modern Information to grant an option to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines and its business at a nominal consideration or such minimum amount required by the PRC law. The trademark transfer agreement became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term.

2011 Arrangements

The following connected transaction ("2011 Arrangements", collectively with the 2009 Arrangements, the "Contractual Arrangements") was entered into by the Group in September 2011. For more details, please refer to the announcement of the Company dated 21 September 2011 (the "2011 Announcement").

On 20 September 2011, the Group, through its wholly owned subsidiaries, entered into the 2011 Contractual Agreements (as shown below) with Mr. Shao (a Director and substantial shareholder of the Company), the Target Company (as defined below) and other relevant parties, pursuant to the arrangements contemplated under such 2011 Contractual Agreements, the Group would effectively obtain the control over the financial and operational policies and decisions of the Target Companies at a consideration of RMB18,000,000 (approximately HK$21,600,000). The 2011 Arrangements include:

(a) the equity pledge agreements dated 20 September 2011 and entered into between (among others) Mr. Shao, 雅致美信息諮詢（深圳）有限公司 (Yazhimei Information Consultation (Shenzhen) Co., Ltd.* ("Yazhimei")), 上海森音信息技術有限公司(Shanghai Senyin Information Technology Co., Ltd.* ("SH Senyin", which was beneficially wholly owned by Mr. Shao), for guaranteeing the payment of the service fees under the management and consultation services agreements (as defined in (d) below);

(b) the option agreements dated 20 September 2011 and entered into between (among others) Mr. Shao, SH Senyin, 廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited* ("Guangzhou Xiandai", which was beneficially owned as to 95% by Mr. Shao, GZ Xiandai together with SH Senyin are collectively referred to as "Target Companies")) and Modern Mobile Digital Media Company Limited ("MM Mobile Digital"), pursuant to which MM Mobile Digital has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the Target Companies at nil consideration or the minimum amount as permitted by the applicable PRC laws;

(c) business operation agreements dated 20 September 2011 and entered into between (among others) Yazhimei, GZ Xiandai, Mr. Shao and SH Senyin, pursuant to which the Target Companies have undertaken not to enter into any material business transaction without the prior written consent of Yazhimei and to appoint individuals as nominated by Yazhimei to be the directors and key management of the Target Companies;

(d) the management and consultation services agreements dated 20 September 2011 and entered into between (among others) Yazhimei, GZ Xiandai and SH Senyin, pursuant to which the Target Companies will engage Yazhimei on an exclusive basis to provide enterprise management consultation services and other services in connection with the business services of the Target Companies; and

(e) the proxy agreements dated 20 September 2011 entered into between (among others) Yazhimei, Mr. Shao and SH Senyin, pursuant to which Mr. Shao is authorized to exercise the shareholders' rights in each of the Target Companies including attending shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the chairman of Yazhimei).

2015 Arrangements

On 10 July 2015, the Group, through its wholly owned subsidiaries, entered into the 2015 Agreements (as shown below) with Mr. Shao (a Director and substantial Shareholder), Guangzhou Xiandai, Linkchic (Beijing) Network Technology Co., Ltd* (每城美客（北京）網科技有限公司) ("Linkchic") and Guangzhou Modern Video Media Co., Ltd* (廣州摩登視頻傳媒有限公司) ("Guangzhou Modern Video", currently known as Guangzhou Modern Entertainment Co., Ltd* 廣州摩登影視娛樂有限公司) (Linkchic and Guangzhou Modern Video, collectively, the "Target Subsidiaries"). The 2015 Arrangements include:

(a) the equity pledge agreements dated 10 July 2015 and entered into between Yazhimei and Guangzhou Xiandai for guaranteeing the payment of the service fees under the management and consultation services agreements (as defined in (d) below);

(b) the option agreements dated 10 July 2015 and entered into between MM Mobile Digital, Guangzhou Xiandai and the Target Subsidiaries, respectively, pursuant to which MM Mobile Digital has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the Target Subsidiaries at nil consideration or the minimum amount as permitted by the applicable PRC laws;

(c) business operation agreements dated 10 July 2015 and entered into between Yazhimei, Guangzhou Xiandai and the Target Subsidiaries, pursuant to which the Target Subsidiaries have undertaken not to enter into any material business transaction without the prior written consent of Yazhimei and to appoint individuals as nominated by Yazhimei to be the directors and key management of the Target Subsidiaries;

(d) the management and consultation services agreements dated 10 July 2015 and entered into between Yazhimei and the Target Subsidiaries, pursuant to which the Target Subsidiaries will engage Yazhimei on an exclusive basis to provide enterprise management consultation services and other services in connection with the business services of the Target Subsidiaries; and

(e) the proxy agreements dated 10 July 2015 entered into between Yazhimei, Mr. Shao and Guangzhou Xiandai, pursuant to which Mr. Shao is authorised to exercise the shareholders' rights in each of the Target Subsidiaries including attending shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the chairman of Yazhimei) ((a) to (e), collectively the "2015 Arrangements").

The Target Subsidiaries are wholly-owned subsidiaries of Guangzhou Xiandai and their economic benefits as well as the risks associated therewith have already been transferred to the Company under the 2011 Arrangements (or, as the case maybe, since being acquired by Guangzhou Xiandai). The 2015 Arrangements have similar terms in substance with those stated in the 2011 Arrangements. Our PRC legal adviser is of the view that entering into the 2015 Arrangements would further strengthen the Group's management control over the Target Subsidiaries.

As at 31 December 2016, there were in total 13 operating companies established in the PRC ("OPCOs" and each an "OPCO"), including (i) 9 companies ("Printed Media OPCOs") which carried on the printed media business, and (ii) 4 companies ("Digital Media OPCOs") which carried on the mobile digital media business (as defined in the 2011 Announcement).

The Printed Media OPCOs

The Printed Media OPCOs comprise the following members of the Group: Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu, Zhuhai Modern Zhimei, Shanghai Yage, Beijing Yage, Shanghai Gezhi, Beijing Yage Zhimei and Shenzhen Yage Zhimei.

The Printed Media OPCOs carry on the printed media business of the Group, which includes (i) design, production and agency services of various advertisements; (ii) wholesale and retail sale of the books, newspapers, periodicals edited and published in the PRC; (iii) planning of literary arts activities and exhibitions; and (iv) consultation services for books information, project planning, enterprise investment and economic information.

The Digital Media OPCOs

The Digital Media OPCOs comprise the following members of the Group: Shanghai Senyin, Guangzhou Mobile Digital, Linkchic Beijing and Guangzhou Modern Film.

The Digital Media OPCOs carry on the mobile digital media business of the Group, which includes (i) information technology business; (ii) holding of a digital publishing license issued by the PRC Government; (iii) holding of a television programme production permit issued by the PRC Government; and (iv) design and production of advertisements, planning of cultural events and exhibition.

OPCO's significance and financial contribution to the Group

By means of the Contractual Arrangements, the Group is permitted to engage in the printed media business and the digital media business in the PRC as set out above which foreign ownership in such PRC entities is restricted. The following table sets out the respective financial contribution of the (i) Printed Media OPCOs and (ii) Digital Media OPCOs to the Group:

	Significance and contribution to the Group					
	Revenue		**Net profits**		**Total assets**	
	For the year ended 31 December		**For the year ended 31 December**		**As at 31 December**	
	2015	**2016**	**2015**	**2016**	**2015**	**2016**
Printed Media OPCOs	2.42%	2.33%	-7.68%	-212.50%	20.11%	17.95%
Digital Media OPCOs	4.18%	3.08%	-3.40%	-211.13%	8.71%	8.66%

Revenue and assets subject to the Contractual Arrangements

The table below sets out the OPCOs' (i) revenue; and (ii) assets which are consolidated into the accounts of the Group pursuant to the Contractual Arrangements:

	Revenue **For the year ended** **31 December 2016** RMB'000	**Assets** **As at** **31 December 2016** RMB'000
Printed Media OPCOs	12,089	122,511
Digital Media OPCOs	15,993	59,092

Reasons for using and risks associated with the Contractual Arrangements

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business and digital media business in the PRC. As such, the Company relies on the OPCOs to conduct certain parts of the Group's businesses in the PRC. The Company manages to maintain an effective control over the financial and operational policies of the OPCOs through the Contractual Arrangements which effectively transfer the economic benefits and pass the risks associated therewith of the OPCO to the Company, and as a result, the OPCOs have been consolidated as subsidiaries of the Group.

The Board wishes to emphasise that the Group relies on the Contractual Arrangements to control and obtain the economic benefits from the OPCOs, which may not be as effective in providing operational control as direct ownership. The Company may have to rely on the PRC legal system to enforce the Contractual Arrangements, which remedies may be less effective than those in other developed jurisdictions. Any conflicts of interest or deterioration of the relationship between the registered holders of the equity interest in the OPCOs and our Group may materially and adversely affect the overall business operations of the Group. The pricing arrangement under the Contractual Arrangements may be challenged by the PRC tax authority. If the Group chooses to exercise the option to acquire all or part of the equity interests in any of the OPCOs under the respective option agreements under the Contractual Arrangements, substantial amount of costs and time may be involved in transferring the ownership of the relevant OPCO held by its registered holder(s) to the subsidiaries equity-owned by the Company. There can be no assurance that the interpretation of the Contractual Arrangements by the PRC legal advisers to the Company is in line with the interpretation of the PRC governmental authorities and that the Contractual Arrangements will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. In addition, the PRC governmental authorities may in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws.

Despite the above, as advised by the PRC legal advisers to the Company, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Contractual Arrangements and will take all necessary actions to protect the Company's interest in the OPCOs.

Material changes

Save as disclosed above, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2016.

For any potential changes to the Contractual Arrangements, please refer to the paragraph headed "Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77-14) ("Guidance Letter") (Updated in August 2015)" below.

Unwinding of the Contractual Arrangements

Up to 31 December 2016, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77-14) ("Guidance Letter") (Updated in August 2015)

The Company noted that the Stock Exchange has issued the updated Guidance Letter in August 2015 to provide further guidance to listed issuers using contract-based arrangements to indirectly own and control any part of their business. Pursuant to the Guidance Letter, a listed issuer should ensure that where OPCO's shareholders are officers or directors of the issuer, the power of attorney under the contractual arrangement in relation to the exercise all shareholders' rights of OPCO should be granted in favour of other unrelated officers or directors of the issuer so as to avoid any potential conflicts of interests.

Under the Contractual Arrangements, Mr. Shao, being the registered equity holder of the OPCOs and an executive Director, is authorised to exercise the shareholders' rights in each of the OPCOs. The existing Contractual Arrangements have yet to sufficiently address the said requirement newly in place. Accordingly, the Company engaged its legal advisers as to the PRC laws to review the existing Contractual Arrangements and the Company may enter into supplemental agreements upon receiving advise from its legal advisers as to PRC laws and make further disclosure(s) as to any changes to the existing Contractual Arrangements.

The Contractual Arrangements allow the Company to consolidate the financial results of the OPCOs into the Group's financial statements as if they were the Group's wholly-owned subsidiaries. The Directors consider that the Contract Arrangements are fundamental to the Group's legal structure and business operations and are on normal commercial terms or terms more favorable to the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole.

The independent non-executive directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2016 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the OPCOs has been substantially retained by the relevant subsidiary of the Group; (ii) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) the terms of the transactions are on normal commercial terms and in the ordinary and usual course of business and (iv) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Other Connected Transactions during the year

During the year, the Group has entered into certain related party transactions as disclosed in Note 31 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company disclosed in its prospectus dated 28 August 2009 and announcement dated 21 September 2011 which the Group entered into and will continued to be carried out between members of the Group certain continuing connected transactions in respect of the Contractual Arrangements. (The "Continuing Connected Transactions").

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the 2009 Arrangements and 2011 Agreements have complied with the reporting and announcement requirements during the year. The Continuing Connected Transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into in accordance with the relevant Contractual Arrangements and that no dividend or other distribution has been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/ transferred to our Group.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company to perform procedures on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transaction have not been approved by the Company's board of directors.

b. for transactions involving the provision of goods or services by the Group to the PRC Operational Entities (as defined in the Prospectus of the Company dated 28 August 2009 (the "Prospectus")) and the Target companies (as defined in the announcement of the Company dated 21 September 2011 (the "2011 Announcement")), nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the relevant terms of Contractual Agreements as set out in the Prospectus and the 2011 Announcement.

c. nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to the Group.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2016, the Group had around 703 employees (2015: 992). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover and the share award plan adopted by the Company which became effective on 7 December 2009.

The Directors' and Chairman's emoluments are determined by the Remuneration Committee, with reference to their duties, responsibilities and performance and the results of the Group and comparable market statistics, including the prevailing market rate for executives of similar position. Details of the Directors' remuneration and individuals with the highest emoluments in the Group are set out in notes 35 and 9 of the financial statements.

PENSION SCHEME

The employees of the Group in the PRC participate in various social security plans enacted in China, which cover pension, medical and other welfare benefits. The Group is required to make contributions to the plans calculated based on a percentage of the monthly compensation of employees, subject to a certain ceiling, and are paid to the respective labour and social welfare authorities in accordance with the applicable PRC rules and regulations. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pension to the retired employees.

There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. The Group's contributions to retirement benefit schemes were charged to the consolidated income statement for the year ended 31 December 2016 were RMB36.1 million. Details of the contribution retirement schemes are set out in note 2.19 of the financial statements.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contribution described above.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws in Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2016, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "CG Code").

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance" section of this Annual Report on pages 39 to 51.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") with terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The Board has, on 25 December 2015, amended the terms of reference of the Audit Committee to be in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange. The Audit Committee has four members comprising the four independent non-executive Directors, namely, Mr. Au-Yeung Kwong Wah, Mr. Wang Shi, Mr. Jiang Nanchun and Dr. Gao Hao.

During the year, the Audit Committee met from time to time to review the Company's draft annual report and accounts, interim report and provided advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2016. Starting from 2016, the Audit Committee will also perform the duties as stated in the amended terms of reference of the Audit Committee, including reviewing the risk management system of the Group.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the shares of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained throughout the year ended 31 December 2016, the amount of public float as required under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDITORS

Grant Thornton Hong Kong Limited ("Grant Thornton") was first appointed as the auditors of the Group in 2016 after the resignation of previous auditors, PricewaterhouseCoopers ("PwC"). For further details, please refer to the announcement of the Company dated 28 June 2016.

The consolidated financial statements for the year ended 31 December 2016 have been audited by Grant Thornton, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Grant Thornton as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Shao Zhong
Chairman

Hong Kong, 15 March 2017

Independent Auditor's Report

Grant Thornton
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To the members of Modern Media Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 163, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment on goodwill *Refer to the note 16 in the consolidated financial statements*	
The Group has goodwill of RMB30,032,000 arising from business combinations relating to acquisition of digital media business in prior years. Management has tested such goodwill annually for impairment as at 31 December 2016, and concluded that there is no impairment. This conclusion was based on value-in-use calculations with key assumptions of average annual and long term growth rate of revenue, gross margin and discount rate that required significant management judgement. The impairment test of this asset is considered to be a key audit matter due to the magnitude of the goodwill balance and the significant judgement made by the management in estimating the recoverable amount of the goodwill.	Our procedures in relation to management's impairment assessment included: — Assessing the valuation methodology and the appropriateness of the key assumptions used to estimate the value-in-use for the digital media business; — Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; — Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and — Subjecting the key assumptions to sensitivity analysis. We found the key assumptions made by management in relation to the value-in-use calculations to be reasonable based on available evidence. The key assumptions have been appropriately disclosed in note 16.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2016 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor’s Report *(continued)*

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

15 March 2017

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

Year ended 31 December 2016 HK$'000		Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
579,277	Revenue	5	518,926	595,725
(285,581)	Cost of sales	8	(255,828)	(293,391)
293,696	Gross profit		263,098	302,334
4,539	Other income	6	4,066	6,984
(2,015)	Other losses — net	7	(1,805)	(2,621)
(140,051)	Distribution expenses	8	(125,460)	(143,084)
(142,553)	Administrative expenses	8	(127,701)	(133,506)
13,616	Operating profit		12,198	30,107
380	Finance income		340	489
(6,170)	Finance expenses		(5,527)	(4,908)
(5,790)	Finance expenses — net	10	(5,187)	(4,419)
(217)	Share of post-tax (losses)/profits of associates	11(b)	(194)	309
(368)	Share of post-tax losses of a joint venture	11(b)	(330)	(917)
7,241	Profit before income tax		6,487	25,080
(3,878)	Income tax expense	12	(3,474)	(4,489)
3,363	Profit for the year		3,013	20,591
	Other comprehensive income			
	Items that may be subsequently reclassified to profit or loss			
6,229	Exchange differences on translation of financial statements of overseas subsidiaries		5,580	4,239
9,592	Total comprehensive income for the year		8,593	24,830
	Profit/(Loss) attributable to:			
3,443	— Owners of the Company		3,085	20,923
(80)	— Non-controlling interests		(72)	(332)
3,363			3,013	20,591
	Total comprehensive income/(loss) attributable to:			
9,672	— Owners of the Company		8,665	25,162
(80)	— Non-controlling interests		(72)	(332)
9,592			8,593	24,830
	Earnings per share attributable to the owners of the Company for the year (expressed in RMB per share)			
0.0079	Basic earnings per share	13(a)	RMB0.0071	RMB0.0478
0.0079	Diluted earnings per share	13(b)	RMB0.0071	RMB0.0478

The notes on pages 87 to 163 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2016

As at 31 December 2016 HK$'000		Note	As at 31 December 2016 RMB'000	2015 RMB'000
	ASSETS AND LIABILITIES			
	Non-current assets			
201,231	Property, plant and equipment	14	180,266	186,839
37,025	Intangible assets	15	33,168	25,596
33,525	Goodwill	16	30,032	30,032
8,777	Software development in progress	17	7,863	11,971
12,186	Interests in associates	11(b)	10,916	4,333
19	Interest in a joint venture	11(b)	17	347
6,374	Available-for-sale financial assets	18	5,710	6,160
–	Prepayments of equity investments	19	–	6,500
1,298	Deferred income tax assets	27	1,163	2,791
300,435			269,135	274,569
	Current assets			
356,752	Trade and other receivables	19	319,584	306,813
23,610	Available-for-sale financial assets	18	21,150	20,000
28,454	Inventories	20	25,490	16,907
63,918	Cash and cash equivalents	21	57,259	61,455
472,734			423,483	405,175
	Current liabilities			
93,604	Trade and other payables	25	83,852	76,680
9,647	Current income tax liabilities		8,642	7,665
112,258	Borrowings	26	100,563	93,457
215,509			193,057	177,802
257,225	**Net current assets**		230,426	227,373
557,660	**Total assets less current liabilities**		499,561	501,942
	Non-current liabilities			
29,740	Borrowings	26	26,642	26,877
1,570	Deferred income tax liabilities	27	1,406	3,072
31,310			28,048	29,949
526,350	**Net assets**		471,513	471,993

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2016

As at 31 December			As at 31 December	
2016 HK$'000		Note	2016 RMB'000	2015 RMB'000
	EQUITY			
	Equity attributable to owners of the Company			
4,301	Share capital	22	3,853	3,852
219,743	Reserves	24	196,849	189,468
302,757	Retained earnings		271,215	279,005
526,801			471,917	472,325
(451)	Non-controlling interests		(404)	(332)
526,350	Total equity		471,513	471,993

The consolidated financial statements on pages 82 to 163 were approved by the Board of Directors on 15 March 2017 and were signed on its behalf.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

The notes on pages 87 to 163 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Notes	Share capital (Note 22) RMB'000	Shares held for Share Award Scheme* (Note 23) RMB'000	Employee share-based compensation reserve* (Note 23) RMB'000	Share premium* (Note 24(c)(i)) RMB'000	Other reserves* (Note 24(c)(iv)) RMB'000	Statutory surplus and general reserves* (Note 24(c)(ii)) RMB'000	Translation reserve* (Note 24(c)(iii)) RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2015		3,851	(2,420)	381	145,045	4,259	42,664	(5,795)	270,613	458,598	–	458,598
Total comprehensive income/(loss) for the year												
Profit/(loss) for the year		–	–	–	–	–	–	–	20,923	20,923	(332)	20,591
Other comprehensive income for the year												
Currency translation differences		–	–	–	–	–	–	4,239	–	4,239	–	4,239
Total comprehensive income/(loss)		–	–	–	–	–	–	4,239	20,923	25,162	(332)	24,830
Transactions with owners												
Employees share award scheme	23(a)	–	(3,505)	–	–	–	–	–	834	(2,671)	–	(2,671)
– Purchased		–	(5,458)	–	–	–	–	–	–	(5,458)	–	(5,458)
– Vested		–	1,909	–	–	–	–	–	834	2,743	–	2,743
– Dividends reinvested to the scheme		–	44	–	–	–	–	–	–	44	–	44
Employees share-based compensation	23(b)	1	–	(261)	138	–	–	–	–	(122)	–	(122)
Dividends paid		–	–	–	–	–	–	–	(8,642)	(8,642)	–	(8,642)
Appropriation to statutory surplus reserve		–	–	–	–	–	4,723	–	(4,723)	–	–	–
Total transactions with owners		1	(3,505)	(261)	138	–	4,723	–	(12,531)	(11,435)	–	(11,435)
Balance at 31 December 2015 and 1 January 2016		3,852	(5,925)	120	145,183	4,259	47,387	(1,556)	279,005	472,325	(332)	471,993
Total comprehensive income/(loss) for the year												
Profit/(loss) for the year		–	–	–	–	–	–	–	3,085	3,085	(72)	3,013
Other comprehensive income/(loss) for the year												
Currency translation differences		–	–	–	–	–	–	5,580	–	5,580	–	5,580
Total comprehensive income/(loss)		–	–	–	–	–	–	5,580	3,085	8,665	(72)	8,593
Transactions with owners												
Employees share award scheme	23(a)	–	98	–	–	–	–	–	–	98	–	98
– Purchased		–	–	–	–	–	–	–	–	–	–	–
– Vested		–	–	–	–	–	–	–	–	–	–	–
– Dividends reinvested to the scheme		–	98	–	–	–	–	–	–	98	–	98
Employees share-based compensation	23(b)	1	–	(120)	119	–	–	–	–	–	–	–
Dividends paid		–	–	–	–	–	–	–	(9,171)	(9,171)	–	(9,171)
Appropriation to statutory surplus reserves		–	–	–	–	–	1,704	–	(1,704)	–	–	–
Total transactions with owners		1	98	(120)	119	–	1,704	–	(10,875)	(9,073)	–	(9,073)
Balance at 31 December 2016		3,853	(5,827)	–	145,302	4,259	49,091	4,024	271,215	471,917	(404)	471,513

* These reserves accounts comprise the Group's reserves of RMB196,849,000 in the consolidated statement of financial position as at 31 December 2016 (2015: RMB189,468,000). In addition, "Currency exchange differences" reserve has been renamed as "Translation reserve" with effect from 1 January 2016.

The notes on pages 87 to 163 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

Year ended 31 December			Year ended 31 December	
2016 HK$'000		Note	2016 RMB'000	2015 RMB'000
	Cash flow from operating activities			
27,060	Cash generated from operations	28(a)	24,241	41,610
(2,233)	Income tax paid		(2,000)	(6,305)
24,827	**Net cash generated from operating activities**		22,241	35,305
	Cash flow from investing activities			
380	Interests received	10	340	489
(2,463)	Purchase of property, plant and equipment	14	(2,206)	(15,509)
(33)	Purchase of intangible assets	15	(30)	(235)
(13,525)	Payments for software development in progress	17	(12,116)	(16,301)
513	Proceeds from disposal of property, plant and equipment	28(b)	460	760
–	Prepayments of equity investments	19(c)	–	(6,500)
–	Payments of an investment in a movie project		–	(3,000)
–	Decrease in pledged deposits		–	1,040
(23,609)	Purchase of commercial bank financing products	18	(21,150)	(20,000)
22,326	Redemption of commercial bank financing products classified as available-for-sale financial assets	18	20,000	–
580	Refund from payment of equity investment	19(c)	520	–
(15,831)	**Net cash used in investing activities**		(14,182)	(59,256)
	Cash flows from financing activities			
86,080	Proceeds from borrowings		77,112	87,470
(83,462)	Repayments of borrowings		(74,767)	(87,463)
–	Purchase of shares for the Share Award Scheme	23(a)	–	(5,458)
(10,128)	Dividends paid to owners of the Company		(9,073)	(8,598)
(6,170)	Interests paid	10	(5,527)	(4,908)
(13,680)	**Net cash used in financing activities**		(12,255)	(18,957)
(4,684)	**Net decrease in cash and cash equivalents**		(4,196)	(42,908)
68,602	Cash and cash equivalents at beginning of year	21	61,455	104,363
63,918	**Cash and cash equivalents at end of year**	21	57,259	61,455

The notes on pages 87 to 163 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

Modern Media Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal places of business in the People's Republic of China (the "PRC") and Hong Kong are at Units A2, 4/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 7/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong respectively; and its registered office is at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 9 September 2009.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services.

As mentioned in the Company's interim report for the six months ended 30 June 2016 and in connection with other previous announcements concerning the proposed spin-off (the "Proposed Spin-off") of the digital and television businesses of the Group, the Company decided to postpone the application of the Proposed Spin-Off to a later stage.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except that available-for-sale financial assets are carried at fair value, and certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The amounts in the consolidated financial statements are presented in RMB. The translation into Hong Kong dollars ("HK$") of the consolidated financial statements as of, and for the year ended 31 December 2016 is for convenience only and has been made at the rate of HK$1.1163 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into Hong Kong dollars at this or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the International Accounting Standards Board ("IASB"), which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016:

Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to IAS 27 (2011)	Equity Method in Separate Financial Statements

The adoption of these new and amended standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(b) New and amended standards issued but are not effective and not yet adopted by the Group

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

<u>IFRS 9 "Financial Instruments"</u>

IFRS 9 "Financial Instruments" introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting. The directors have started assessing the impact of IFRS 9 but are not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables (see Note 19) unless classified as at fair value through profit or loss in accordance with the new criteria

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New and amended standards issued but are not effective and not yet adopted by the Group (continued)

IFRS 9 "Financial Instruments" *(continued)*

- it will no longer be possible to measure equity investments at cost less impairment and such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income. This will affect the Group's investment in 天津假日傳媒發展有限公司 (see Note 18) if it is still held on 1 January 2018.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(b) New and amended standards issued but are not effective and not yet adopted by the Group (continued)

IFRS 15 "Revenue from Contracts with Customers" *(Continued)*

In 2016, the International Accounting Standards Board issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors have started to assess the impact of IFRS 15 and do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

IFRS 16 "Leases"

IFRS 16 "Leases" will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. The directors are yet to fully assess the impact of IFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing their current disclosures for operating leases (Note 30(b)) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.
- assessing the additional disclosures that will be required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-income statement controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income (Note 2.8).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit of investments accounted for using the equity method" in the consolidated statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interests in associates are recognised in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company and the Group's presentation currency. The Company's functional currency is HKD.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "finance income or expenses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within "other gains or losses — net".

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for the consolidated statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interests in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment

Buildings held for own use comprise the Group's offices in the PRC and Hong Kong. Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings held for own use	40 to 50 years
Office equipment	3 to 5 years
Furniture and fixtures	3 to 10 years
Motor vehicles	5 to 10 years

Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 5 years from the date of completion, and the unexpired terms of the leases.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains or losses — net" in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Software and mobile applications

Costs associated with maintaining software and mobile applications are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

(b) Software and mobile applications *(continued)*

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software and mobile applications development costs recognised as assets are amortised over their estimated useful lives, which does not exceed 5 years.

(c) Other intangible assets

Other intangible assets mainly include publication rights, customer relationship and domain and IT platform. These intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the costs of these intangible assets over their estimated useful lives.

(d) Amortisation

Amortisation is calculated using the straight-line method to allocate their costs over their estimated useful lives, as follows:

	Years
Publication rights	6.7 years
Customer relationship	3 to 5 years
Domain and IT platform	3 to 10 years
Software and mobile applications	3 to 5 years
Others	15 years

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the statement of financial position (Notes 19 and 21).

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(b) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(d) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(d) Impairment of financial assets *(continued)*

(ii) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments and commercial bank financing products, a significant or prolonged decline in the fair value of the investment below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income.

2.11 Inventories

Inventories are artworks intended for sale and goods held in a retail store of the Group and stated at the lower of cost and net realisable value. Cost for artworks includes expenditures that is directly attributable to the acquisition of the items. Cost for goods held in a retail store is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for magazines, periodicals and artworks sold and advertising related services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) **Deferred income tax**

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

(a) Pension obligations

The PRC employees of the Group are covered by various PRC government-sponsored defined-contribution pension plans under which the employees are entitled to a monthly pension based. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries (12%–21%). Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined-contribution pension plans for a staff are not available to reduce the Group's future obligations to such defined-contribution pension plans even if the staff leave the Group. The non-PRC employees are covered by other defined-contribution pension plans sponsored by local government.

(b) Housing funds, medical insurance and other social insurance

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds, medical insurance and other social insurance. The Group contributes on a monthly basis to these funds and insurance based on certain percentages of the employees' salaries (17.5%–24.3%). The Group's liability in respect of these funds and insurance is limited to the contributions payable in each period. The non-PRC employees are not covered by these funds and insurance.

(c) Bonus entitlements

The expected cost of bonus payments are recognized as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(d) Employee leave entitlements

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

(e) Share-based payments

(i) Equity-settled share-based payment

The Group established an equity-settled share-based compensation plan to recognize the contribution made by the directors and employees of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options at the grant day.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

(ii) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity, in the parent entity accounts.

2.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Provisions and contingent liabilities *(continued)*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for sale of services and goods, stated net of discounts, returns and sales taxes and surcharges.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) **Advertising income**

Revenue from advertising contracts, net of rebates, sales taxes and related surcharge, are recognised upon the publication of the magazine and periodicals, and mobile applications, available to public in which the advertisement is placed.

(b) **Circulation and subscription income**

Circulation and subscription income represents sale of magazines and periodicals, which is recognised when the publication is delivered to the distributors at which time the risk and rewards of ownership has been transferred. The estimated returns of magazines and periodicals are debited to sales, which is estimated based on accumulated experience.

Unearned subscriptions fees received from subscribers are recorded as subscriptions received in advance under trade and other payables in the consolidated statement of financial position.

(c) **TV production, event and service income**

TV production, event and service income is recognised when the relevant services are rendered to customers, by reference to stage of completion of the specific transaction and assessed on the basis of actual services provided as a proportion of total service to be provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(d) Sales of artworks and goods

Sales of artworks and goods in retail stores are recognised when a group entity has transferred the risks and rewards of the artworks and goods to its customers.

(e) Interest income

Interest income is recognized using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(f) Dividend income

Dividend income is recognized when the right to receive payment is established.

2.22 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognized in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

2.23 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (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) the entity and the Group 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).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures for the years ended 31 December 2016 and 2015.

(a) Market risk

(i) Currency risk

The Group mainly operates in the PRC and Hong Kong, and is exposed to currency risk arising from various currency exposures, primarily with respect to Hong Kong dollar. Currency risk arises from recognized assets and liabilities in foreign operations.

The Group has not entered into any financial instruments for hedging purpose for the years ended 31 December 2016 and 2015.

As at 31 December 2016 and 2015, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies were summarized below:

As at 31 December 2016	HKD RMB'000	Others RMB'000	Total RMB'000
Cash and cash equivalents	2,057	62	2,119
Trade and other receivables	19,431	2,584	22,015
Trade and other payables	(3,677)	(2,364)	(6,041)
Borrowings	(67,205)	–	(67,205)
	(49,394)	282	(49,112)

As at 31 December 2015	HKD RMB'000	Others RMB'000	Total RMB'000
Cash and cash equivalents	1,842	414	2,256
Trade and other receivables	19,472	4,411	23,883
Trade and other payables	(3,582)	(2,552)	(6,134)
Borrowings	(70,884)	–	(70,884)
	(53,152)	2,273	(50,879)

As at 31 December 2016, if HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the Group's net profit for the year would have been RMB229,000 (2015: RMB248,000) lower/higher as a result of foreign exchange differences on translation of HKD denominated assets and liabilities stated above.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents, the Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 26.

As at 31 December 2016, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net profit for the year would have been RMB252,000 (2015: RMB217,000) lower/higher as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

The carrying amounts of cash and cash equivalents, trade and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure of recoverability problem.

The Group's deposits and cash are placed with major financial institutions in Hong Kong, Taiwan and the PRC that are of high-credit quality and meet the established credit rating criteria.

In respect of trade and other receivables, the Group established policies in place to ensure that sales of services and products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. Please refer to Note 19 for the aging analysis. Management makes periodic collectability assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

The Group has a certain concentration of credit risk and the details were as follow:

	As at 31 December	
	2016	2015
From the Group's largest customer	11%	17%
From the Group's five largest customers	42%	35%

The Group's major customers are well-known advertising agencies and the Group believes that they are reliable and of high credit quality. Credit risks and exposure are closely controlled and monitored on an on-going basis by management of the Group.

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains adequate cash inflows from operations and sufficient reserves of cash to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its liquidity requirements in the short and longer term.

The table below analysed the Group's financial liabilities that would be settled on a net basis into relevant maturity grouping based on the remaining period at the reporting date to the maturity date which was the earliest possible date that the Group could be required to repay. The amounts disclosed in the table below were the contractual undiscounted cash flows.

	Total contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2016					
Trade and other payables	50,079	50,079	–	–	–
Borrowings	130,594	100,563	2,185	7,173	20,673
	180,673	150,642	2,185	7,173	20,673
As at 31 December 2015					
Trade and other payables	42,711	42,711	–	–	–
Borrowings	126,304	95,649	2,525	7,590	20,540
	169,015	138,360	2,525	7,590	20,540

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

In addition, as the management did not expect the lender of the borrowings with repayment on demand clauses to exercise its rights to demand repayment, the table below disclosed the cash flow information by expected repayment dates with reference to the schedule of repayments set out in the related term loan agreements.

	Total contractual undiscounted cash flows RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2016					
Trade and other payables	50,079	50,079	–	–	–
Borrowings	134,509	86,741	3,190	10,827	33,751
	184,588	136,820	3,190	10,827	33,751
As at 31 December 2015					
Trade and other payables	42,711	42,711	–	–	–
Borrowings	130,560	81,428	5,131	11,939	32,062
	173,271	124,139	5,131	11,939	32,062

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

The gearing ratios as at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Total borrowings (Note 26)	127,205	120,334
Less: Cash and cash equivalents (Note 21)	(57,259)	(61,455)
Net debt	69,946	58,879
Total equity	471,513	471,993
Total capital	541,459	530,872
Gearing ratio	12.92%	11.09%

The increase in gearing ratio during the year ended 31 December 2016 was mainly due to the increase in borrowings and the decrease of cash and cash equivalents.

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at 31 December 2016 and 2015 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2016	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets — commercial bank financing products	–	–	21,150	21,150

As at 31 December 2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets — commercial bank financing products	–	–	20,000	20,000

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of goodwill

The Group tested annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Notes 2.8 and 2.9. The recoverable amounts of CGU have been determined based on value-in-use calculations. These calculations require the use of estimates. In the opinion of the Company's directors, the recoverable amount of the CGU will not be lower than the carrying amount even if a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs. Please refer to Note 16 for detailed information of impairment assessment of goodwill.

(b) Impairment for receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated. Please refer to Note 19 for detailed information of impairment for receivables.

5. SEGMENT INFORMATION

The chief operating decision-makers mainly include the senior executive management of the Company. They review the Group's internal reports in order to determine the operating segments, assess performance and allocate resources based on these reports.

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on revenue and adjusted EBITDA without allocation of share of profit/losses of investments accounted for using equity method and other unallocated head office and corporate expenses.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of segment. Investments in associates and a joint venture are not considered to be segment assets but rather are managed by the treasury function.

The Group has two (2015: two) reportable segments as described below, which are the Group's strategic business units. As detailed in the Group's annual financial statements for the year ended 31 December 2015, the Group strategically restructured its business into two business segments, namely print media and art, and digital media with television. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Print media and art: this segment engages in the sale of advertising space in the publication of and the distribution of the Group's magazines and periodicals; and artwork trading and auction, art exhibition and education.

- Digital media and television: this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces; and engages in the production of customised contents for brand advertisers.

5. SEGMENT INFORMATION *(continued)*

(a) Revenue

The revenue by segment for the years ended 31 December 2016 and 2015 were set out as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Reportable segment		
— Print media and art (i)	432,993	484,064
— Digital media and television	95,168	89,145
	528,161	573,209
Revenue derived from other operations		
— Management consultancy services (ii)	–	15,094
— Exhibition, event arrangement and others (iii)	5,293	23,649
Less: sales taxes and other surcharges	(14,528)	(16,227)
	518,926	595,725

(i) In June 2015, the Group entered into an agreement with Mr. Shao, pursuant to which the Group sold 17 pieces of artworks including canvases, photograph and sculpture to Mr. Shao at a cash consideration of RMB29,121,000. The sales were recorded as revenue in the segment of print media and art for segment reporting for the year ended 31 December 2015 (Note 5(b)(i)) (Note 31(b)).

The Group did not have such sales recorded as revenue for the year ended 31 December 2016.

(ii) For the year ended 31 December 2015, the Group entered into two management consultancy service agreements with external customers. The corresponding revenue derived from these services was approximately RMB15,094,000.

The Group did not have revenue derived from these services for the year ended 31 December 2016.

(iii) This represented the revenue derived from the provision of exhibition and event arrangement services to customers.

5. SEGMENT INFORMATION (continued)

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2016 and 2015 were set out as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Print media and art (i)	24,571	38,848
Digital media and television	11,596	16,940
	36,167	55,788
Revenue derived from other operations (Note 5(a))	5,293	38,743
Depreciation	(13,212)	(16,525)
Amortisation	(8,802)	(9,763)
Finance expenses — net	(5,187)	(4,419)
Share of post-tax (losses)/profits of associates	(194)	309
Share of post-tax losses of a joint venture	(330)	(917)
Fair value losses on available-for-sale financial assets	(1,000)	(2,000)
Unallocated head office and corporate expenses	(6,248)	(36,136)
Profit before income tax	6,487	25,080

(i) For the year ended 31 December 2016, the EBITDA derived from the sale of artworks to Mr. Shao was nil (2015: approximately RMB14,155,000) (Note 5(a)(i)).

5. SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA *(continued)*

Business segment	Year ended 31 December 2016 Depreciation RMB'000	Amortisation RMB'000	Finance expenses-net RMB'000
Print media and art	11,656	1,373	5,187
Digital media and television	1,556	7,429	–
	13,212	8,802	5,187

Business segment	Year ended 31 December 2015 Depreciation RMB'000	Amortisation RMB'000	Finance expenses-net RMB'000
Print media and art	12,745	86	4,419
Digital media and television	3,780	9,677	–
	16,525	9,763	4,419

(c) Total assets

Business segment	As at 31 December 2016 RMB'000	2015 RMB'000
Print media and art	386,929	359,877
Digital media and television	125,447	148,656
	512,376	508,533
Corporate and unallocated assets	2,693	2,157
Interests in associates	10,916	4,333
Interest in a joint venture	17	347
Available-for-sale financial assets	26,860	26,160
Prepayments of equity investments	–	500
Deferred income tax assets	1,163	2,791
Other receivables	81,334	73,468
Cash and cash equivalents	57,259	61,455
Total assets	692,618	679,744

5. SEGMENT INFORMATION *(continued)*

(d) Geographic information

The geographic location of the Group's property, plant and equipment, intangible assets, goodwill, software development in progress, available-for-sale financial assets and interests in associates and a joint venture ("specified non-current assets") were mainly in the PRC, Hong Kong and Taiwan as at 31 December 2016 and 2015.

The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of fixed assets; (ii) the location of the operation to which they are allocated, in the case of intangible assets, goodwill and software development in progress; and (iii) the location of operations, in the case of investments and interests in associates and a joint venture.

Specified non-current assets excluding deferred income tax assets by geographical location as at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Hong Kong	127,000	198,361
The PRC	142,972	72,980
Taiwan	–	437
	269,972	271,778

Revenue by geographical location for the year ended 31 December 2016 and 2015 was as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
The PRC	477,790	497,674
Hong Kong	41,136	98,051
	518,926	595,725

6. OTHER INCOME

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
PRC government subsidy (i)	3,138	6,338
Others	928	646
	4,066	6,984

(i) PRC government subsidy represented subsidies received from local governmental authorities by several subsidiaries of the Group.

7. OTHER LOSSES — NET

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Available-for-sale financial assets:		
— Fair value losses (Note 18)	(1,000)	(2,000)
Net losses on disposal of property, plant and equipment (Note 28)	(228)	(358)
Exchange losses	(577)	(263)
	(1,805)	(2,621)

8. EXPENSES BY NATURE

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Cost of artworks sold	–	14,345
Employee benefit expenses (Note 9)	200,194	211,186
Advertising production expenses	108,047	97,732
Printing costs of magazines and periodicals	36,466	56,994
Marketing and promotion expenses	45,333	56,334
Office rental costs	24,412	30,560
License fee	23,463	23,402
Office expenses including utility costs	20,510	19,122
Travelling and communication expenses	11,902	18,047
Depreciation of plant, property and equipment (Note 14)	15,180	17,531
Amortisation of intangible assets (Note 15)	8,802	10,115
Consultation expenses	5,345	6,163
Auditor's remuneration		
— Audit services	1,180	1,830
— Non-audit services	81	350
Stamp duties and other taxes	626	941
Impairment losses on trade receivables (Note 19)	1,023	55
Professional fees for the Proposed Spin-off (Note 1)	5,148	–
Other expenses	1,277	5,274
Total cost of sales, distribution and administrative expenses	508,989	569,981

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries, bonus and allowances	170,947	182,334
Social security costs	36,084	39,970
Termination benefits	5,279	–
Employee share-based compensation	–	2,621
	212,310	224,925
Less: amount capitalised to software development in progress (Note 17)	(12,116)	(13,739)
	200,194	211,186

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(continued)*

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2016 included four (2015: three) directors whose emoluments were reflected in the analysis shown in Note 35. The emoluments payable to the remaining one (2015: two) individuals during the year were as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Salaries and allowances	1,674	4,333

The emoluments fell within the following bands:

	Year ended 31 December	
	2016	2015
Emolument bands:		
HK$nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	1
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	1
	1	2

No director or these highest paid individuals received any emolument from the Group as an inducement to join, upon joining the Group, leave the Group or as compensation for loss of office.

10. FINANCE EXPENSES — NET

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Finance income:		
Interest income derived from bank deposits	340	489
Finance expenses:		
— Interest expense on borrowings wholly repayable within 5 years	(4,167)	(3,670)
— Interest expense on borrowings wholly repayable after 5 years	(1,360)	(1,238)
	(5,527)	(4,908)
Finance expenses — net	(5,187)	(4,419)

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The Company had indirect interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 December 2016 and 2015 were set out below:

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company 31 December 2016	2015	Direct/ Indirect	Principle activities
Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited * (廣州現代移動數碼傳播有限公司)	(ii)	The PRC 23 May 1996	RMB10,000,000	100%	100%	Indirect	Provision of digital publishing business
Modern Media Company Limited		Hong Kong 6 May 1998	HK$1,000,000	100%	100%	Indirect	Provision of advertising agency services
Guangzhou Modern Information Media Co., Ltd. * (廣州現代資訊傳播有限公司)	(ii)	The PRC 3 September 1999	RMB60,000,000	100%	100%	Indirect	Publication of magazines in the PRC, provision of advertising agency services, retail sales of imported books and planning of literary arts activities and exhibitions
City Howwhy Limited		Hong Kong 15 May 2000	HK$2	100%	100%	Indirect	Publication of magazines in Hong Kong
Modern Mobile Digital Media Company Limited		Hong Kong 4 December 2000	HK$2	100%	100%	Indirect	Provision of digital publishing business
Modern Media (Zhuhai) Technology Co., Ltd. * (現代傳播(珠海)科技有限公司)	(i)	The PRC 13 April 2006	HK$68,000,000	100%	100%	Indirect	Research and development, provision of advertising and consultancy service
Guangzhou Modern Books Co., Ltd. * (廣州現代圖書有限公司)	(ii)	The PRC 24 November 2004	RMB5,010,000	100%	100%	Indirect	Publication of magazines in the PRC, design and selling of advertising spaces

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(a) Subsidiaries *(continued)*

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company 31 December 2016	2015	Direct/ Indirect	Principle activities
Shanghai Senyin Information Technology Co., Ltd. * (上海森音信息技術有限公司)	(ii)	The PRC 19 October 2005	RMB1,000,000	100%	100%	Indirect	Provision of website development business
Yazhimei Information Consultation (Shenzhen) Co., Ltd. * (雅致美信息諮詢(深圳)有限公司)	(i)	The PRC 19 October 2005	HK$2,000,000	100%	100%	Indirect	Provision of management and consultation services
Linkchic (Beijing) Network Technology Co., Ltd. * (每城美客(北京)網絡科技有限公司)	(ii)	The PRC 21 July 2010	RMB1,600,000	100%	100%	Indirect	Provision of website development business
Shanghai Yizhi Advertising Co., Ltd. * (上海意致廣告有限公司)	(ii)	The PRC 21 July 2010	RMB500,000	100%	100%	Indirect	Provision of advertising agency services
Beijing Yazhimei Advertising Co., Ltd. * (北京雅致美廣告有限公司)	(ii)	The PRC 14 January 2013	RMB500,000	100%	100%	Indirect	Provision of advertising agency services
Kashi Yazhimei Culture Media Co., Ltd. * (喀什雅致美文化傳播有限公司)	(ii)	The PRC 14 January 2013	RMB30,000,000	100%	100%	Indirect	Provision of advertising agency services
Modern Art International Trading Ltd.		Hong Kong 10 August 2015	HK$1,000,000	100%	100%	Indirect	Artwork trading
Shanghai Play Bear Commerce Co., Ltd. * (上海頑熊商貿有限公司)	(ii)	The PRC 19 January 2015	RMB2,000,000	60%	60%	Indirect	Provision of selling toys and groceries

* The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(a) Subsidiaries *(continued)*

(i) These companies are incorporated in the PRC as wholly foreign-owned enterprises.

(ii) The equity interests of these entities are held by PRC nationals and/or entities on behalf of the Group.

(iii) Historically, PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through subsidiaries controlled by contractual agreements which are ultimately wholly-owned by Mr. Shao.

As of the date of these financial statements, the Group does not have direct equity interests in these PRC Operational Entities. However, the Group has implemented a series of Contractual Arrangements with Mr. Shao and the PRC Operational Entities such that:

- The Group is entitled to enjoy all the economic benefits of the PRC Operational Entities. All the dividends, capital bonus or any other assets distributed to Mr. Shao by the respective "PRC Operational Entities" are required to transfer to the Group at nil consideration within three working days after such distribution;

- The Group is granted exclusive right to acquire, to the extent permissible under PRC laws, equity interests in the PRC Operational Entities at nil consideration or for a nominal price; and

- The Group is authorised to exercise its power over to govern the financial and operating policies in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities.

As a result of the above Contractual Arrangements, the Group has effective control over the financial and operational policies of the PRC Operational Entities and derives economic benefits from the operations of the PRC Operational Entities. Accordingly, the financial results and positions of the PRC Operational Entities have been consolidated into the Group since their respective dates of acquisition/establishment.

(b) Investments accounted for using the equity method

The amounts recognised in the consolidated statement of financial position were as follows:

	As at 31 December	
	2016	2015
	RMB'000	RMB'000
Carrying amounts of		
— Associates	10,916	4,333
— A joint venture	17	347
	10,933	4,680

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

The amounts recognised in the consolidated statement of comprehensive income were as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Share of (losses)/profits of		
— Associates	(194)	309
— A joint venture	(330)	(917)
	(524)	(608)

Interests in associates

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Investment in associates		
At 1 January	4,333	4,333
Transfer (Note 19(c))	5,480	–
Share of (losses)/profits	(194)	309
Currency translation differences	408	–
At 31 December	10,027	4,333
Advance to an associate	889	–
	10,916	4,333

Advance to an associate included in investments in associates is unsecured, interest free and is not recoverable within twelve months from the end of the reporting period and are therefore shown in the consolidated statement of financial position as non-current.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(b) Investments accounted for using the equity method (continued)

Interests in associates (continued)

The particulars of the associates of the Group, which are unlisted, were set out as follows:

Company name	Place of business/country of incorporation	Paid-up capital	Attributable equity interests to the Group As at 31 December 2016	2015	Principle activities
Chongqing Yubao Culture Media Co., Ltd. (重慶渝報文化傳播有限公司) ("Chongqing Yubao")	Chongqing, the PRC	RMB10,000,000	40%	40%	Wholesaling and retailing, provision of advertising, publication and media service
Beijing Camart Technology Co., Ltd (北京拍藏科技有限公司) ("Beijing Camart")*	Beijing, the PRC	RMB1,000,000	20%	–	Online auction of artworks
Shanghai Youxian Information Technology Co., Ltd (上海友閑信息科技有限公司) ("Shanghai Youxian")	Shanghai, the PRC	RMB1,000,000	20%	–	Online trading of the second-hand concert or opera tickets
Photo Shanghai Company Limited ("Photo Shanghai")	Hong Kong	HK$100,000	19%	–	Provision of photos exhibition service

* Pursuant to the shareholding entrustment agreement dated 27 March 2015, Mr. Shao is entrusted as registered shareholder of the investment on behalf of the Group (Note 31(e)).

As at 31 December 2016, impairment tests were performed by comparing the attributable carrying amount of the interests in associates with the respective recoverable amounts. The recoverable amounts were based on estimated discounted cash flow. No impairment was recorded.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interests in associates *(continued)*

Set out below was the summarised financial information for the significant associate, Chongqing Yubao, which was accounted for using the equity method.

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Current assets		
Cash and cash equivalents	259	1,155
Other current assets (excluding cash and cash equivalents)	11,857	10,902
Total current assets	12,116	12,057
Current liabilities	(1,886)	(2,006)
Non-current assets	175	781
Net assets	10,405	10,832

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue	3,241	7,009
Cost of sales	(2,631)	(5,110)
(Loss)/Profit before income tax	(427)	772
Income tax expense	–	–
Net (loss)/profit	(427)	772
Other comprehensive income	–	–
Total comprehensive (loss)/income	(427)	772

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interests in associates *(continued)*

The information of Beijing Camart, Shanghai Youxian and Photo Shanghai, which are not material associates of the Group is as below:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Group's aggregate share of net assets of associates	6,754	–
Group's share of loss for the year	23	–
Other comprehensive income	–	–
Total comprehensive loss	23	–

Interest in a joint venture

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
At 1 January	347	1,264
Share of losses	(330)	(917)
At 31 December	17	347

The particulars of the joint venture of the Group were set out as below:

Company name	Place of business/country of incorporation	Paid-up capital	Attributable equity interests to the Group As at 31 December 2016	2015	Principle activities
Hangzhou Shili Cultural Media Co., Ltd. ("Hangzhou Shili") (杭州實力文化傳播有限公司)	Hangzhou, the PRC	RMB15,000,000	49%	49%	Publication of magazine in the PRC and selling of advertising spaces

The Group is entitled to share 49% of the financial results of Hangzhou Shili. In accordance with the 49% of the paid in capital of and the profit sharing arrangements of Hangzhou Shili, the Group accounts for the investment in Hangzhou Shili as a joint venture as the Group has joint control over the operating and financial decisions of Hangzhou Shili. Goodwill of RMB817,000 arose from the acquisition of Hangzhou Shili and a full provision for impairment was made in prior years.

There was no contingent liability relating to the Group's interests in its joint venture.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interest in a joint venture *(continued)*

Set out below is the summarised financial information for Hangzhou Shili which was accounted for using the equity method.

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Current assets		
Cash and cash equivalents	322	1,110
Other current assets (excluding cash and cash equivalents)	872	946
Total current assets	1,194	2,056
Current liabilities	(1,228)	(1,421)
Non-current assets	69	73
Net assets	35	708

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Revenue	2,179	3,676
Cost of sales	(1,793)	(3,508)
Loss before income tax	(673)	(1,872)
Income tax expense	–	–
Net loss	(673)	(1,872)
Other comprehensive income	–	–
Total comprehensive income	(673)	(1,872)

12. INCOME TAX EXPENSE

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Current income tax		
— Hong Kong profits tax	305	–
— PRC Corporate income tax (Note (d))	2,569	1,740
Adjustments in respect of prior years	523	(599)
	3,397	1,141
Deferred income tax (Note 27)	77	3,348
Income tax expense	3,474	4,489

The difference between the actual income tax charge in the consolidated statement of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit before income tax	6,487	25,080
Tax calculated at statutory tax rate of 25%	1,622	6,270
Tax effect of:		
Effect of differential tax rate on income	(88)	(1,014)
Expenses not deductible for tax purpose	2,233	515
Income not subject to tax	(6,597)	(7,414)
Utilisation of previously unrecognized tax losses	(586)	(854)
Tax losses for which no deferred tax assets recognised	4,632	5,753
Income tax on dividends and service charge	1,604	1,680
Adjustment in respect of prior years	523	(599)
Tax effect of associates and joint venture's results	131	152
Income tax expense	3,474	4,489

12. INCOME TAX EXPENSE *(continued)*

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in Hong Kong during the year.

(c) The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25%.

(d) During the year ended 31 December 2016, income not subject to tax mainly represented the net profit of RMB16,838,000 (2015: RMB29,552,000) derived by Kashi Yazhimei Culture Media Co., Ltd., which is a subsidiary incorporated in Xinjiang, the PRC and entitled to an income tax exemption period from 1 January 2015 to 31 December 2019.

(e) During the year ended 31 December 2016, current income tax on profits for the year included a provision of RMB1,604,000 (2015: RMB1,680,000) in respect of withholding income tax on (i) dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology") and (ii) services income charged to PRC subsidiaries.

13. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share was computed by dividing the net profit attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the respective years.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	3,085	20,923
Issued ordinary shares as at 1 January (thousands)	438,282	438,210
Weighted average number of shares held for the Share Award Scheme (thousands) (Note 23(a))	(4,579)	(557)
Weighted average number of shares awarded in respect of Linkchic acquisition (thousands) (Note 23(b))	30	42
Weighted average number of ordinary shares in issue (thousands)	433,733	437,695
Basic earnings per share (RMB per share)	0.0071	0.0478

13. EARNINGS PER SHARE *(continued)*

(b) Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: employee share-based compensation.

For the employee share-based compensation, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The calculation of the diluted earnings per share for the year ended 31 December 2016 and 2015 was shown as:

	Year ended 31 December	
	2016	2015
Earnings		
Profit attributable to owners of the Company (RMB'000)	3,085	20,923
Weighted average number of ordinary shares in issue (thousands)	433,733	437,695
Effect of deemed issue of shares for nil consideration with respect to the Linkchic Acquisition (thousands) (Note 23(b))	–	71
Weighted average number of ordinary shares for diluted earnings per share (thousands)	433,733	437,766
Diluted earnings per share (RMB per share)	0.0071	0.0478

There was no diluted event existed during the year ended 31 December 2016.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015						
Cost	143,251	48,285	39,900	66,383	14,337	312,156
Accumulated depreciation	(7,834)	(33,740)	(26,408)	(21,568)	(10,434)	(99,984)
Net book amount	135,417	14,545	13,492	44,815	3,903	212,172
Year ended 31 December 2015						
Opening net book amount	135,417	14,545	13,492	44,815	3,903	212,172
Additions	–	2,828	2,646	7,481	2,554	15,509
Disposals (Note 28(b))	–	(773)	(238)	(1)	(106)	(1,118)
Depreciation charge (Note 8)	(2,988)	(4,924)	(5,357)	(2,667)	(1,595)	(17,531)
Transfer to inventories (Note 20)	–	–	–	(28,693)	–	(28,693)
Currency translation differences	5,054	209	26	1,128	83	6,500
Closing net book amount	137,483	11,885	10,569	22,063	4,839	186,839
At 31 December 2015 and 1 January 2016						
Cost	148,381	51,198	41,432	31,488	16,774	289,273
Accumulated depreciation	(10,898)	(39,313)	(30,863)	(9,425)	(11,935)	(102,434)
Net book amount	137,483	11,885	10,569	22,063	4,839	186,839
Year ended 31 December 2016						
Opening net book amount	137,483	11,885	10,569	22,063	4,839	186,839
Additions	–	489	1,080	637	–	2,206
Disposals (Note 28(b))	–	(342)	(310)	(16)	(20)	(688)
Depreciation charge (Note 8)	(3,104)	(4,256)	(3,388)	(2,971)	(1,461)	(15,180)
Currency translation differences	5,866	229	35	834	125	7,089
Closing net book amount	140,245	8,005	7,986	20,547	3,483	180,266
At 31 December 2016						
Cost	154,471	49,919	39,536	32,454	16,709	293,089
Accumulated depreciation	(14,226)	(41,914)	(31,550)	(11,907)	(13,226)	(112,823)
Net book amount	140,245	8,005	7,986	20,547	3,483	180,266

As at 31 December 2016, certain buildings in the PRC with a carrying amount of RMB31,655,000 (2015: RMB18,260,000) and the property in Hong Kong with a carrying amount of HK$$100,318,000 (2015: HK$102,598,000) were pledged as collaterals for the Group's bank borrowings and other borrowings, amounted to RMB88,463,000 (2015: RMB68,379,000) (Notes 26(b) & (c)).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation of property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 RMB'000
Administrative expenses	13,327	15,380
Distribution expenses	957	1,078
Cost of sales	896	1,073
	15,180	17,531

15. INTANGIBLE ASSETS

	Publishing rights RMB'000	Customer relationship RMB'000	Domain and IT platform RMB'000	Software and mobile applications RMB'000	Others RMB'000	Total RMB'000
At 1January 2015						
Cost	3,000	10,382	7,829	25,660	2,428	49,299
Accumulated amortisation	(2,625)	(8,870)	(3,099)	(10,118)	(1,138)	(25,850)
Net book amount	375	1,512	4,730	15,542	1,290	23,449
Year ended 31 December 2015						
Opening net book amount	375	1,512	4,730	15,542	1,290	23,449
Transferred from software development in progress (Note 17)	–	–	–	7,740	–	7,740
Other additions	–	–	–	4,440	19	4,459
Amortisation charge (Note 8)	(375)	(728)	(779)	(8,146)	(87)	(10,115)
Currency translation differences	–	–	–	20	43	63
Closing net book amount	–	784	3,951	19,596	1,265	25,596
At 31 December 2015 and 1 January 2016						
Cost	3,000	10,382	7,829	38,053	2,510	61,774
Accumulated amortisation	(3,000)	(9,598)	(3,878)	(18,457)	(1,245)	(36,178)
Closing net book amount	–	784	3,951	19,596	1,265	25,596

15. INTANGIBLE ASSETS *(continued)*

	Publishing rights RMB'000	Customer relationship RMB'000	Domain and IT platform RMB'000	Software and mobile applications RMB'000	Others RMB'000	Total RMB'000
Year ended 31 December 2016						
Opening net book amount	–	784	3,951	19,596	1,265	25,596
Transferred from software development in progress (Note 17)	–	–	–	16,224	–	16,224
Other additions	–	–	–	–	30	30
Amortisation charge (Note 8)	–	(628)	(621)	(7,458)	(95)	(8,802)
Currency translation differences	–	–	–	76	44	120
Closing net book amount	–	156	3,330	28,438	1,244	33,168
At 31 December 2016						
Cost	3,000	10,382	7,829	54,353	2,620	78,184
Accumulated amortisation	(3,000)	(10,226)	(4,499)	(25,915)	(1,376)	(45,016)
Closing net book amount	–	156	3,330	28,438	1,244	33,168

The amortisation of intangible assets has been charged to the consolidated statement of comprehensive income as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Administrative expenses	7,458	8,883
Cost of sales	1,344	1,232
	8,802	10,115

16. GOODWILL

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Goodwill arising from business combinations	30,032	30,032

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment. A segment level summary of goodwill is presented below:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Digital media — the PRC	30,032	30,032

The recoverable amount of a CGU was determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expected cash flow beyond the five-year period would be similar to that of the fifth year based on existing scale of operation. Cash flows beyond the five-year period were extrapolated using 3% growth rates.

The key assumptions used for value-in-use calculations as at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Average annual growth rate of revenue during the next five-year period	27%	24%
Gross margin (% of revenue)	58%	55%
Discount rate	18.8%	18.8%
Long term growth rate	3%	3%

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business. Based on the assessments, no goodwill was impaired as at 31 December 2016.

17. SOFTWARE DEVELOPMENT IN PROGRESS

	Software development in progress RMB'000
At 1 January 2015	3,410
Expenditure incurred on software development	16,301
Transferred to intangible assets (Note 15)	(7,740)
At 31 December 2015 and 1 January 2016	**11,971**
Expenditure incurred on software development	**12,116**
Transferred to intangible assets (Note 15)	**(16,224)**
At 31 December 2016	**7,863**

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Unlisted equity investments, at cost	10,710	10,160
Less: provision for impairment (a)	(5,000)	(4,000)
Unlisted equity investments — net	5,710	6,160
Commercial bank financing products, at fair value (b)	21,150	20,000
	26,860	26,160

(a) In October 2013, the Group acquired 20% equity interests in 天津假日傳媒發展有限公司 ("Tianjin Holiday") from an independent third party for a consideration of RMB8,160,000. Tianjin Holiday is principally engaged in the publication of newspaper in the PRC. The Group does not have significant influence nor participate in the policy-making process and the operating and financial decisions of Tianjin Holiday. At the reporting date, the Group performed an impairment assessment on its interest in Tianjin Holiday based on the latest available financial information and an impairment loss of RMB1,000,000 (2015: RMB2,000,000) was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2016.

During the year, the Group acquired 7.14% equity interest in Beijing Qingchuangtou Investment Company ("Beijing Qingchuangtou") from an independent third party for a consideration of RMB550,000. Beijing Qingchuangtou is principally engaged in investment management and consultation. Pursuant to the shareholding entrustment agreement dated 25 November 2015, Mr. Shao is entrusted as registered shareholder of the investment on behalf of the Group (Note 31(e)).

As at 31 December 2016 and 2015, another unlisted equity investment with original consideration of RMB2,000,000 was fully impaired.

(b) As at 31 December 2016, the Group purchased commercial bank financing products of RMB21,150,000 (2015: RMB20,000,000). This investment has no fixed maturity term and can be redeemed on the second day after submitting the redemption application to the bank. As at 31 December 2016 and 2015, the carrying amount of this investment approximated the fair value.

19. TRADE AND OTHER RECEIVABLES

	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
Trade receivables (a)		
— Due from third parties	236,766	216,201
— Due from controlling shareholder (Note 31(c))	–	18,621
Less: provision for impairment of receivables (f)	(2,500)	(1,477)
Trade receivables — net	234,266	233,345
Value-added tax recoverable	19,016	21,640
Prepayments	20,279	21,274
Printing deposits	16,808	14,179
Rental, utility and other deposits	10,780	11,054
Advances and loans to employees	10,583	6,392
Amounts due from related parties (d)	497	–
Others	7,355	5,429
	319,584	313,313
Less: Non-current portion: prepayments of equity investments (c)	–	(6,500)
Current portion	319,584	306,813

As at 31 December 2016 and 2015, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

(a) The aging analysis of trade receivables, before provision for impairment, as at 31 December 2016 and 2015 was as follows:

	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000
Trade receivables, gross		
— Within 30 days	96,861	80,829
— Over 31 days and within 90 days	57,222	71,043
— Over 90 days and within 180 days	52,759	36,927
— Over 180 days	29,924	46,023
	236,766	234,822

The credit period granted to its advertising and circulation customers is between 30 to 180 days (with a certain limited number of customers granted a credit period of 270 days). No interest is charged on the outstanding trade receivables.

All of the trade receivables are expected to be recovered within one year.

19. TRADE AND OTHER RECEIVABLES *(continued)*

(b) As at 31 December 2016, trade receivables of RMB94,802,000 (2015: RMB98,207,000) were past due but not impaired. 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. The aging analysis of these trade receivables past due but not impaired at respective reporting dates was as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Within 30 days past due	31,973	33,540
Over 31 days and within 90 days past due	30,310	26,889
Over 90 days past due	32,519	37,778
	94,802	98,207

(c) During the year ended 31 December 2016, prior year prepayments of equity investments of RMB5,980,000 has been transferred to interests in associates (Note 11(b)) and available-for-sale financial assets of RMB5,480,000 and RMB500,000 respectively, and RMB520,000 has been refunded to the Group upon mutual agreement.

(d) The amounts due from related parties are unsecured, interest-free and recoverable on demand.

(e) The carrying amounts of the Group's trade and other receivables were denominated in the following currencies:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
RMB	297,567	289,430
HKD	19,431	19,472
USD	544	3,882
Others	2,042	529
	319,584	313,313

19. TRADE AND OTHER RECEIVABLES *(continued)*

(f) Movements in provision for impairment of trade receivables were as follows:

	2016 RMB'000	2015 RMB'000
At 1 January	1,477	1,422
Provision for impairment (Note 8)	1,023	55
At 31 December	2,500	1,477

Provision for impairment of RMB2,500,000 (2015: RMB1,477,000) has been made for estimated irrecoverable amounts due from advertising customers. This provision for impairment has been determined by reference to past default experience and management judgement. The aging of these impaired trade receivables was over 180 days as at 31 December 2016 and 2015.

20. INVENTORIES

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Artworks	25,425	16,842
Other goods	65	65
	25,490	16,907

During the year ended 31 December 2015, management of the Group determined the strategy to develop its business in artwork trading and auction, art exhibition and education. Accordingly, the carrying amount of the artworks of RMB28,693,000 were reclassified from property, plant and equipment to inventories (Note 14). As at 31 December 2016 and 2015, the balance of inventories were not impaired.

21. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Cash at bank and in hand	57,259	61,455

All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank at floating bank deposit rates.

22. SHARE CAPITAL

Details of the authorised and issued share capital of the Company were set out as follows:

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital RMB'000
At 1 January 2015	438,210	3,851
Proceeds from shares issued — employee share award scheme (Note 23)	72	1
At 31 December 2015 and 1 January 2016	438,282	3,852
Shares issued — employee share award scheme (Note 23)	71	1
At 31 December 2016	438,353	3,853

23. SHARE-BASED COMPENSATION

(a) Share award scheme

On 3 December 2009, the Board of Directors of the Company (the "Board") approved the Share Award Scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries in accordance with the provisions of the Share Award Scheme. The maximum number of Awarded Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Award Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital ("Issued Share Capital") of the Company from time to time. The total number of Awarded Shares which may be issued upon the exercise of all options to be granted under the Share Award Scheme and any other share option schemes of the Company as may from time to time be adopted by the Company as permitted under the Listing Rules initially shall not, in aggregate, exceed 10% of the Issued Share Capital as at the date of adoption of the Share Award Scheme (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the Shareholders). The total number of Awarded Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Awarded Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Pursuant to the Share Award Scheme, the Remuneration Committee of the Company shall select the eligible participants and determine the number of Awarded Shares to be awarded. Relevant number of shares awarded will be purchased by the controlled special purpose entity, as administered by the trustee of the Share Award Scheme, from the market at the cost of the Company and be held until they are vested in accordance with the rules of the Share Award Scheme.

Upon adoption of the Share Award Scheme, the Board also resolved to provide a total amount not exceeding HK$10 million to the controlled special purpose entity for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contributions to the Group and an incentive to retain them for the continual operation and development of the Group.

The Share Award Scheme shall be effective from 7 December 2009 for a term of ten years and shall continue in full force unless sooner terminated as determined by the Board provided that such termination shall not affect any subsisting rights of any eligible participants under the Share Award Scheme.

In April 2015, 1,780,000 shares were awarded to eligible participants under the Company's Share Award Scheme. These awarded shares were vested immediately and share-based payments expense of RMB2,743,000 was charged to profit or loss for the year ended 31 December 2015 based on the fair value of shares at grant dates. No shares was awarded or vested for the year ended 31 December 2016.

23. SHARE-BASED COMPENSATION *(continued)*

(a) Share award scheme *(continued)*

Movements in shares under the Company's Share Award Scheme were as follows:

	Year ended 31 December			
	2016		2015	
	Number of shares held	Value RMB'000	Number of shares held	Value RMB'000
At 1 January	4,579,000	5,925	2,215,000	2,420
Shares purchased during the year	–	–	4,144,000	5,458
Shares vested during the year	–	–	(1,780,000)	(1,909)
Dividend reinvested to the scheme	–	(98)	–	(44)
At 31 December	4,579,000	5,827	4,579,000	5,925

(b) Shares awarded in respect of Linkchic acquisition

During the year ended 31 December 2013, an aggregate of 1,076,000 shares of the Company were agreed to be issued to eligible participants following the acquisition of 每城美客(北京)網絡科技有限公司 ("Linkchic"). These awarded shares do not constitute as part of the purchase consideration in respect of the acquisition and they were awarded to the eligible participants for their continuing services in Linkchic, which are to be vested subject to vesting condition over service periods of one to three years from the date of award.

On 30 July 2016, 70,659 shares were issued and vested to the eligible participants for nil consideration. The share capital and share premium were credited by RMB605 and RMB119,592, respectively, based on the fair value of HK$2.32 per share at the grant date. There were 541 shares forfeited during the year ended 31 December 2016. Therefore there was no outstanding unvested awarded shares as at 31 December 2016 in respect to the acquisition of Linkchic. For the year ended 31 December 2016, the Group has recognised reversal of share-based payment expenses of RMB106 (2015: reversal of RMB122,000) in the consolidated statement of comprehensive income.

23. SHARE-BASED COMPENSATION (continued)

(b) Shares awarded in respect of Linkchic acquisition (continued)

Movements in the number of share options outstanding and their related weighted average exercise price were as follows:

	Year ended 31 December	
	2016	2015
At 1 January	71,200	286,400
Forfeited	(541)	(143,200)
Exercised	(79,659)	(72,000)
At 31 December	–	71,200

24. RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity was set out in the consolidated statement of changes in equity.

(b) Dividends

(i) Proposed dividends payable to equity shareholders of the Company attributable to the year:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Final dividends proposed after the end of the financial year of HK1.00 cent (equivalent to RMB0.89 cents) (2015: HK2.50 cents (equivalent to RMB2.09 cents)) per ordinary share	3,894	9,171

(ii) Dividends to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Final dividends in respect of the previous financial year of HK2.50 cents, equivalent to RMB2.09 cents per share (2015: HK2.50 cents, equivalent to RMB1.97 cents per share)	9,171	8,642

24. RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves on the consolidated statement of changes in equity

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed; the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC of the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit. When the balance of the statutory surplus reserve reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

For the year ended 31 December 2016, RMB1,704,000 (2015: RMB4,723,000) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

(iii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policy as set out in Note 2.6.

(iv) Other reserves

Other reserve represented the aggregate amount of paid-in capital of the PRC Operational Entities after elimination of investments in subsidiaries.

25. TRADE AND OTHER PAYABLES

(a) An analysis of the nature of trade and other payables of the Group was as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables:		
— Due to third parties	37,126	27,047
Other payables:		
— Advances from customers	20,137	15,615
— Accrued taxes other than income tax (i)	6,676	11,161
— Accrued expenses	6,333	6,684
— Advertising and promotion expenses payable	4,858	3,991
— Salaries, wages, bonus and benefits payable	627	509
— Other liabilities	8,095	11,673
	83,852	76,680

(i) Accrued taxes other than income tax mainly consisted of value-added tax payables, business tax payables and related surcharges, and individual income tax payables. The revenue of the Group is subject to turnover taxes in the PRC and Taiwan.

As at 31 December 2016 and 2015, all trade and other payables of the Group were non-interest bearing, and their fair values, excluding the advances from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.

(b) An aging analysis of trade payables of the Group was as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Trade payables		
— Within 30 days	17,111	22,569
— Over 31 days and within 90 days	11,903	751
— Over 91 days and within 180 days	3,907	288
— Over 180 days	4,205	3,439
	37,126	27,047

25. TRADE AND OTHER PAYABLES (continued)

(c) As at 31 December 2016 and 2015, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
RMB	77,810	70,546
HKD	3,677	3,582
USD	470	1,432
EUR	1,737	1,047
Others	158	73
	83,852	76,680

26. BORROWINGS

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Current		
— Unsecured bank borrowings (a)	38,742	51,955
— Secured bank borrowings (b)	47,087	26,908
— Other secured borrowing (c)	14,734	14,594
	100,563	93,457
Non-current		
— Secured bank borrowings (b)	26,642	26,877
	127,205	120,334

(a) As at 31 December 2016, unsecured bank borrowings of RMB11,000,000 (2015: RMB14,450,000) were guaranteed by Mr. Shao and Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group; and unsecured bank borrowings of RMB4,000,000 (2015: RMB10,000,000) were guaranteed by Mr. Shao; and unsecured bank borrowings of RMB10,305,000 (2015: RMB10,749,000) was guaranteed by the Company;

The remaining unsecured bank borrowings of RMB13,437,000 (2015: RMB16,756,000) were credit loans.

26. BORROWINGS (continued)

(b) As at 31 December 2016, secured bank borrowings of RMB73,729,000 (2015: RMB53,785,000) were secured by certain properties of the Group with a carrying amount of RMB31,655,000 and HK$100,318,000 (Note 14) (2015: RMB18,260,000 and HK$102,598,000), among which RMB4,000,000 (2015: RMB25,000,000) were guaranteed by Mr. Shao.

(c) As at 31 December 2016, other secured borrowing of RMB14,734,000 (2015: RMB14,594,000), borrowed from a developer of a property in Hong Kong, was secured by the certain properties with a carrying amount of RMB89,868,000, equivalent to HK$100,318,000 (also included as pledged assets for bank borrowings as mentioned in Note 26(b)) and was also guaranteed by Mr. Shao and Ms. Zhong Yuanhong (Note 31(a)).

(d) The Group's borrowings were denominated in the following currencies:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Borrowings		
— RMB	60,000	49,450
— HKD	67,205	70,884
	127,205	120,334

(e) The contractual maturity of borrowings based on the date which is the earliest possible date that the lenders could be required to repay was as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
On demand or within 1 year	100,563	93,457
Between 1 and 2 years	2,242	1,952
Between 2 and 5 years	6,710	6,133
Over 5 years	17,690	18,792
	127,205	120,334

26. BORROWINGS *(continued)*

(f) The weighted average effective interest rates during the year ended 31 December 2016 and 2015 were as follows:

	Year ended 31 December 2016 RMB'000	2015 RMB'000
Current		
— RMB	5.16%	6.20%
— HKD	4.27%	3.94%
Non-current		
— HKD	2.30%	2.30%

The fair value of current borrowings equaled their carrying amount as the discounting impact was not significant. The fair value of non-current borrowings approximated their carrying amount as the interest rate was close to market interest rate.

(g) As at 31 December 2016, the Group has unused facilities of RMB17,271,000 (2015: RMB12,550,000).

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated statement of financial position:

	As at 31 December 2016 RMB'000	2015 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	233	584
— to be recovered after more than 12 months	930	2,207
	1,163	2,791
Deferred income tax liabilities:		
— to be settled within 12 months	–	(54)
— to be settled after more than 12 months	(1,406)	(3,018)
	(1,406)	(3,072)

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets	Tax losses to be carried forward	Depreciation in excess of the related depreciation allowances	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	5,018	404	1,401	6,823
Currency translation differences	(24)	–	–	(24)
Charged to the consolidated statement of comprehensive income	(2,108)	(104)	(918)	(3,130)
At 31 December 2015 and 1 January 2016	2,886	300	483	3,669
Currency translation differences	99	–	–	99
(Charged)/credited to the consolidated statement of comprehensive income	(2,985)	(104)	406	(2,683)
At 31 December 2016	–	196	889	1,085

In accordance with the accounting policy set out in Note 2.18, the Group has not recognised deferred tax assets of RMB8,904,000 in respect of accumulative tax losses at 31 December 2016 (2015: RMB7,982,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the PRC operations expire five years after the relevant accounting year end.

Deferred income tax liabilities	Depreciation allowances in excess of the related depreciation
	RMB'000
At 1 January 2015	3,756
Currency translation differences	94
Charged to the consolidated statement of comprehensive income	100
At 31 December 2015 and 1 January 2016	3,950
Currency translation differences	(16)
Credited to the consolidated statement of comprehensive income	(2,606)
At 31 December 2016	1,328

27. DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

At 31 December 2016, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB33,051,000 (2015: RMB26,575,000). Deferred tax liabilities of RMB1,653,000 (2015: RMB1,329,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested in their operation rather than remitting them to the Company in the foreseeable future.

28. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Profit before income tax	6,487	25,080
Adjustments for:		
Depreciation of property, plant and equipment (Note 14)	15,180	17,531
Amortisation of intangible assets (Note 15)	8,802	10,115
Provision for impairment of receivables (Note 19)	1,023	55
Share-based compensation expense (Note 23)	–	2,621
Finance income (Note 10)	(340)	(489)
Finance expenses (Note 10)	5,527	4,908
Share of losses/(profits) of associates (Note 11(b))	194	(309)
Share of losses of a joint venture (Note 11(b))	330	917
Impairment losses of available-for-sale financial assets (Note 18)	1,000	2,000
Net losses on disposal of property, plant and equipment (Note 7)	228	358
Changes in working capital:		
Increase in trade and other receivables	(14,201)	(22,519)
(Increase)/Decrease in inventories	(7,161)	11,825
Increase/(Decrease) in trade and other payables	7,172	(10,483)
Cash generated from operations	24,241	41,610

28. CASH GENERATED FROM OPERATIONS *(continued)*

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Net book amount (Note 14)	688	1,118
Net losses on disposal of property, plant and equipment (Note 7)	(228)	(358)
Proceeds from disposal of property, plant and equipment	460	760

29. CONTINGENCIES

At 31 December 2016 and 2015, the Group had no material contingent liabilities.

30. COMMITMENTS

(a) Capital commitments

As at 31 December, the Group had the following capital commitments:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Capital expenditure contracted but not provided for:		
— investment in an associate	1,800	–

30. COMMITMENTS (continued)

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Operating leases expiring:		
— Within 1 year	21,159	21,863
— After 1 year but within 5 years	18,532	24,953
	39,691	46,816

(c) Other commitments

The Group entered into licensing agreements with the publishing partners to obtain the exclusive rights for the sale of advertising spaces in and the distribution of the magazines. As at 31 December 2016, the total future minimum payments under non-cancellable licensing agreements were as follows:

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Licensing agreement expiring:		
— Within 1 year	22,372	17,169
— After 1 year but within 5 years	75,997	69,899
— After 5 years	7,043	5,993
	105,412	93,061

31. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2016 and 2015, and balances arising from related party transactions as at 31 December 2016 and 2015.

31. RELATED PARTY TRANSACTIONS *(continued)*

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
Mr. Shao	Founder/Controlling Shareholder/Director of the Group
Dr. Cheng Chi Kong	A director of the Company
Ms. Zhong Yuanhong	A director of one subsidiary of the Group

(b) Transactions with related parties

In addition to the transactions and balances disclosed in Note 26, the Group entered into the following related party transactions during the years ended 31 December 2016 and 2015:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Rental expenses (i)	13,749	14,056
Sales of artworks (ii)	–	29,121
Advertising income (iii)	4,869	5,239

(i) This represented rental expenses payable to an entity controlled by a close family member of Dr. Cheng Chi Kong for the lease of office premises in Shanghai. It was charged at a pre-determined rate mutually agreed, which was based on the market rent rates.

(ii) In June 2015, the Group entered into an agreement with Mr. Shao, pursuant to which the Group sold 17 pieces of artworks including canvases, photograph and sculpture to Mr. Shao, at a cash consideration of RMB29,121,000. The consideration was arrived at the prices by making reference to the Assets Revaluation Report dated 20 May 2015 prepared by an independent valuer.

(iii) This represented advertising income received from entities controlled by a close family member of Dr. Cheng Chi Kong for certain advertisement placements on the Group's media platforms. It was charged at a pre-determined rate mutually agreed, which was based on the market rates of the related services rendered.

31. RELATED PARTY TRANSACTIONS (continued)

(c) Receivables from related parties included in trade and other receivables

	As at 31 December	
	2016 RMB'000	2015 RMB'000
Receivable derived from the sale of artworks (i)	–	18,621
Receivables derived from advertising income (ii)	497	–

(i) The remaining balance of the total consideration of the artworks of RMB18,621,000 was paid by Mr. Shao in March 2016.

(ii) These represent receivables from entities controlled by a close family member of Dr. Cheng Chi Kong.

(d) Key management compensation

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Basic salaries, allowances, benefits in kind and Share Award Scheme	19,645	22,396
Retirement scheme	1,569	1,054
	21,214	23,450

(e) Investments held by Mr. Shao on behalf of the Group

As at 31 December 2016 and 2015, pursuant to the shareholding entrustment agreements entered into between Mr. Shao and the Group in 2015, respectively, Mr. Shao is entrusted as registered shareholder of the investments in Beijing Camart (Note 11(b)) and Beijing Qingchuangtou (Note 18) on behalf of the Group.

32. CONTROLLED SPECIAL PURPOSE ENTITY

There was one special purpose entity controlled by the Company, which operates in Hong Kong, particulars of which are as follows:

Special purposes entity	Principal activities
The Modern Media Employees Share Award Plan ("Modern Media Employee Share Trust") operated under Supremo Investment Inc.	Administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees

The Company controls a special purpose entity, Modern Media Employee Share Trust, which is set up solely for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme (Note 23). As the Company has the power to direct the relevant activities of the Modern Media Employee Share Trust and it has the ability to use its power over the Modern Media Employee Share Trust to affect its exposure to returns, the assets and liabilities of the Modern Media Employee Share Trust were included in the Group's consolidated statement of financial position and the Company's shares held by the Modern Media Employee Share Trust were presented as a deduction in equity as "Shares held for Share Award Scheme".

As at 31 December 2016, the Company had contributed RMB8,805,000 (2015: RMB8,805,000) in the Modern Media Employee Share Trust for shares and the amount was recorded as "Investment in subsidiaries" in the Company's statement of financial position.

33. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 31 December 2016:

(a) The directors proposed a final dividend for 2016. Details were disclosed in Note 24(b).

(b) On 10 March 2017, Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), an independent third party, the Company, and Modern Digital Holdings Limited ("MDHL"), a wholly owned subsidiary of the Company, entered into the Investment Agreement. Pursuant to the Investment Agreement, each of Septwolves Invest and the Company have agreed to subscribe for, and MDHL has agreed to allot and issue, a total of 428,571 Subscription Shares for an aggregate consideration of approximately RMB79,650,000 in cash. The Investment Agreement also include a put option given by the Company in favour of Septwolves Invest. Subject to and upon completion of the Investment Agreement, MDHL will become an indirectly non-wholly owned subsidiary of the Company, the issued shares of which will be held as to 70% by the Company (indirectly) and as to 30% by Septwolves Invest. Details of the Investment Agreement have been set out in the Company's announcement dated 10 March 2017.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2016 HK$'000		Note	As at 31 December 2016 RMB'000	2015 RMB'000
	ASSETS AND LIABILITIES			
	Non-current assets			
9,829	Investments in subsidiaries	32	8,805	8,805
	Current assets			
10,318	Other receivables and prepayments		9,243	9,495
211,672	Amounts due from subsidiaries		189,619	185,338
273	Cash and cash equivalents		245	335
222,263			199,107	195,168
	Current liabilities			
961	Other payables		861	238
17,331	Borrowings		15,525	16,663
6,234	Amounts due to subsidiaries		5,585	5,258
24,526			21,971	24,159
197,737	**Net current assets**		177,136	171,009
207,566	**Total assets less current assets**		185,941	179,814
	Non-current liabilities			
29,752	Borrowings		26,652	26,877
177,814	**Net assets**		159,289	152,937
	EQUITY			
	Equity attributable to owners of the Company			
4,301	Share capital		3,853	3,852
173,513	Reserves	(a)	155,436	149,085
177,814	**Total equity**		159,289	152,937

The statement of financial position of the Company was approved by the Board of Directors on 15 March 2017 and was signed on its behalf.

Shao Zhong	**Mok Chun Ho, Neil**
Director	*Director*

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Currency exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2015	145,045	(11,816)	10,180	143,409
Dividends paid (Note 24(b))	–	–	(8,642)	(8,642)
Employee share-based compensation	138	–	–	138
Profit for the year	–	–	6,247	6,247
Other comprehensive income	–	7,933	–	7,933
As at 31 December 2015 and 1 January 2016	145,183	(3,883)	7,785	149,085
Dividends paid (Note 24(b))	–	–	(9,171)	(9,171)
Employee share-based compensation	119	–	–	119
Profit for the year	–	–	5,756	5,756
Other comprehensive income	–	9,647	–	9,647
As at 31 December 2016	145,302	5,764	4,370	155,436

35. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The total remuneration of directors and the chief executives for the years ended 31 December 2016 and 2015 was set out as follows:

	Year ended 31 December	
	2016 RMB'000	2015 RMB'000
Directors		
Salaries and allowances	12,826	11,152
Share Award Scheme	–	2,743
Directors' fees	827	779
Retirement scheme contributions	1,219	417
	14,872	15,091

35. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executives' emoluments (continued)

(i) No individual has waived or agreed to waive any emoluments.

(ii) No shares granted by the Company during the year ended 31 December 2016 under the Share Award Scheme (Note 23(a)) (2015: 1,780,000 shares granted).

(iii) The remuneration of every director and chief executive for the years ended 31 December 2016 was set out as follows:

	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Estimated money value of medical insurance and other social insurance RMB'000	Employer's contribution to retirement plan RMB'000	Share-based compensation RMB'000	Total RMB'000
Year ended 31 December 2016							
Executive Directors							
Mr. Shao Zhong	–	2,394	876	42	42	–	3,354
Mr. Wong Shing Fat	–	3,394	516	138	–	–	4,048
Mr. Mok Chun Ho, Neil	–	1,353	180	54	–	–	1,587
Ms. Yang Ying	–	1,104	600	90	90	–	1,884
Mr. Li Jian (李劍)	–	737	360	87	87	–	1,271
Mr. Deroche Alain	–	857	455	–	589	–	1,901
Non-executive Director							
Dr. Cheng Chi Kong	195	–	–	–	–	–	195
Independent non-executive Directors							
Mr. Jiang Nanchun	132	–	–	–	–	–	132
Mr. Wang Shi	132	–	–	–	–	–	132
Mr. Au-Yeung Kwong Wah	330	–	–	–	–	–	330
Dr. Gao Hao**	38	–	–	–	–	–	38
Total	827	9,839	2,987	411	808	–	14,872

35. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executives' emoluments *(continued)*

(iii) The remuneration of every director and chief executive for the years ended 31 December 2015 was set out as follows:

	Fees RMB'000	Salaries RMB'000	Housing allowance RMB'000	Estimated money value of medical insurance and other social insurance RMB'000	Employer's contribution to retirement plan RMB'000	Share-based compensation RMB'000	Total RMB'000
Year ended 31 December 2015							
Executive Directors							
Mr. Shao Zhong	–	2,208	876	40	40	–	3,164
Mr. Wong Shing Fat	–	3,168	516	132	–	770	4,586
Mr. Li Jian (厲劍)***	–	842	107	23	23	770	1,765
Mr. Mok Chun Ho, Neil	–	1,283	140	49	–	678	2,150
Mr. Cui Jianfeng	–	885	116	33	23	525	1,582
Ms. Yang Ying	–	400	200	14	14	–	628
Mr. Li Jian (李劍)	–	291	120	10	16	–	437
Non-executive Director							
Dr. Cheng Chi Kong	185	–	–	–	–	–	185
Independent non-executive Directors							
Mr. Jiang Nanchun	132	–	–	–	–	–	132
Mr. Wang Shi	132	–	–	–	–	–	132
Mr. Au-Yeung Kwong Wah	330	–	–	–	–	–	330
Total	779	9,077	2,075	301	116	2,743	15,091

* Mr. Deroche Alain was appointed as the executive director of the Group with effect from 1 June 2016.

** Dr. Gao Hao was appointed as an independent non-executive director of the Group with effect from 18 August 2016.

*** Mr. Li Jian (厲劍) was appointed as a non-executive director of the Group with effect from 15 July 2015. He has tendered his resignation as a non-executive director with effect from 19 November 2015.

35. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Five Year Financial Summary

RESULTS

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Turnover	518,926	595,725	603,801	631,180	655,313
Profit before taxation	6,487	25,080	45,254	51,432	92,752
Income tax	(3,474)	(4,489)	(7,461)	(18,245)	(27,484)
Profit for the year	3,013	20,591	37,793	33,187	65,268

ASSETS AND LIABILITIES

	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000
Total assets	692,618	679,744	675,822	621,849	595,751
Total liabilities	(221,105)	(207,751)	(217,224)	(183,265)	(175,485)
Total equity	471,513	471,993	458,598	438,584	420,266

Note: The Company was incorporated in The Cayman Islands on 8 March 2007 and became the holding company of the companies now comprising the Group with effect from 24 August 2009 upon the completion of the Group Reorganisation as set out in the Company's prospectus dated 28 August 2009 ("Prospectus").

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