INTERIM REPORT 2011

MODERN MEDIA HOLDINGS LIMITED
現代傳播控股有限公司

(Incorporated in the Cayman Islands with limited liability) Stock code: 72

現代傳播
Modern Media

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shao Zhong *(Chairman)*
Mr. Wong Shing Fat
Mr. Li Jian
Mr. Mok Chun Ho, Neil
Mr. Cui Jianfeng

Independent Non-executive Directors

Mr. Jiang Nanchun
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Mok Chun Ho, Neil
Mr. Cui Jianfeng

COMPLIANCE ADVISER

Cinda International Capital Limited
45/F, COSCO Tower
183 Queen's Road Central
Hong Kong

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units A, B & C, 10/F, Exhibition Centre
No. 1 Software Park Road, Zhuhai City
Guangdong Province, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1101-03, 11/F
1063 King's Road, Quarry Bay
Hong Kong

PRINCIPAL BANKERS IN HONG KONG

Hang Seng Bank Limited
Wing Lung Bank Limited

PRINCIPAL BANKERS IN THE PRC

China Merchants Bank
(Shanghai Branch, Xujiahui Sub-branch)
The Bank of East Asia (China) Limited
(Guangzhou Branch)
China Minsheng Banking Corporation
(Beijing Guangan Men Sub-branch)

Corporate Information

REGISTERED OFFICE

Scotia Centre
4th Floor, P. O. Box 2804
George Town
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P. O. Box 609
Grand Cayman KY1-1107
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Stock Code: 72

WEBSITE

www.modernmedia.com.cn

Management Discussion and Analysis

RESULT SUMMARY

Benefited from the continuously booming economy in the People's Republic of China ("PRC"), the Company and its subsidiaries (the "Group") had achieved a satisfactory growth in both revenue and profits during the past six months ended 30 June 2011 (the "Interim Period"). Also, the Group has successfully reached a series of milestones in its multi-media transition strategies. The Group's turnover for the Interim Period increased by approximately 28.6% to approximately RMB235.5 million (2010: RMB 183.0 million) as compared with the corresponding period in 2010. The Group also achieved remarkable results and recorded a profit attributable to equity shareholders of the Company (the "Shareholders") for the Interim Period of approximately RMB13.7 million (2010: RMB 6.0 million) representing a growth of approximately 125.8% as compared with the same period of year 2010.

The Group attained a strong growth in both its turnover and profits mainly due to (i) the sustaining outstanding performance of the Group's two flagship weekly magazines "Modern Weekly" and "U+ Weekly" in the PRC's lifestyle weekly magazine market; (ii) the revamped version of "Numero", a high-end fashion monthly magazine, which was widely accepted and recognized by the market during the Interim Period, (iii) "iWeekly", the newly acquired mobile digital magazine, which has successfully established a unique marketing position and acted as an additional platform for brand advertisers to place their advertisements; and (iv) good control of operating expenses with higher growth in turnover in the Interim Period.

DIVIDEND

Since the Group has to reserve adequate cash resources for the investment in new joint-ventures in developing the digital media and e-commerce, the Directors do not recommend the payment of any interim dividend (2010: Nil). The Directors will consider the payment of a final dividend after evaluating the full-year financial performance of the Group in 2011.

(A) BUSINESS REVIEW

Advertising

The PRC

During the Interim Period, print media business still contributed to a core portion of the Group's advertising revenue, while multi-media business started to deliver additional revenue.

(A) BUSINESS REVIEW (Continued)

Advertising (Continued)

Core Print Media

The Group operated two national weekly, two local weekly and seven monthly magazines in the PRC, including "Chutzpah!", a bilingual and bi-monthly literary magazine launched in April 2011. The Group's portfolio of magazine titles contributed the advertising revenue of approximately RMB227.0 million (2010: RMB174.3 million) represented a significant increase of approximately 30.2% as compared to the corresponding period in last year.

One of our flagship magazines, "Modern Weekly", had well-performed in the 1st half of 2011. Benefiting from the buoyant advertising environment, "Modern Weekly" recorded a 15.0% increase in its advertising revenue when compared with the corresponding period of last year. In the Interim Period, the Group cooperated with "The New York Times" to issue a yearly supplement entitled "Turning Points 2011". This yearly supplement achieved a great success both in terms of advertising placements and readers' recognition. In response to the positive market response, the Group and "The New York Times" extended their tenure of cooperation to 2016. This is an indication that the quality of the Group's publications is in line with international standard and is recognized by well-known international publishers.

"U+ Weekly", another flagship magazine, has proven to be the most popular and well-accepted women's lifestyle magazine which continued to be the No. 1 weekly in terms of circulation in the PRC according to Beijing Kai Yuan Circulation Research Company. In the Interim Period, "U+ Weekly" had achieved a significant growth in advertising revenue of approximately 48.0% when compared with that of last year. Coupled with the intensive marketing campaigns in the 2nd half of 2011, the Board is optimistic that "U+ Weekly" will continue its strong growth momentum and act as a growing engine of the Group in the coming years.

Advertising revenues of other monthly magazines operated by the Group in the PRC have achieved different levels of growth on a year-on-year basis. The Group is confident that such portfolio of monthly magazine will achieve a satisfactory operating result throughout the year 2011.

Local Weekly Magazine

In Hangzhou and Chongqing, the Group cooperated with some local partners to issue 2 local weekly magazines in order to capture the local advertising spending. Both publications continued its growth momentum and had been successful in arousing the readers' attention in these two cities, albeit the paces of growth were below our expectation. In the 2nd half of 2011, we will continue to fine-tune our editorial style, in order to optimize the revenues from the advertisers.

(A) BUSINESS REVIEW (Continued)

Advertising (Continued)

Hong Kong

Same as last year, the Hong Kong office maintained its operation to provide advertising supporting services to the Group and publish a monthly magazine, "City Magazine". During the Interim Period, the Hong Kong operation contributed an advertising revenue of RMB8.8 million (2010: RMB8.4 million) that represented a reasonable increase of approximately 4.5% when compared to corresponding period of last year. As the market sentiment continued to improve in Hong Kong, the Group is confident that the sales team will manage to meet the annual sales target for the year 2011.

Circulation

Due to the increase in the number of our magazine titles, the expansion of our distribution networks in 2nd-tier cities, and a successful retail price lift of "U+ Weekly" from RMB 3 to RMB 5 since the end of 2010, the circulation revenue in the Interim Period amounted to approximately RMB10.3 million (2010: RMB7.7 million), which was significantly increased by approximately 34.2% compared to the corresponding period in 2010. We believed that the existing circulation strategy helps exert our market influence among our readers and brand advertisers.

TV media

The development of "Modern TV" was in line with the Group's expectation. With the well-equipped production studio and a crew of professional production talents, the Group had produced the "Style-weekend" series of lifestyle TV programs, which has been successfully launched in Hangzhou TV Station's Life Channel on 28 May 2011. Since then, the TV programs are well-received by the local viewers and aroused a wide-spread attention from advertisers and the industry peers. The "Style-weekend" programs had been further syndicated to Fuzhou and Wenzhou TV stations, and Youku.com, one of the largest video websites in the PRC. TV media already contributed RMB994,000 advertising revenue in its one-month operation during the Interim Period.

Mobile Digital

Up to the end of June 2011, the number of "iWeekly" users on iPhone and iPad were approximately 2.1 million and 1.1 million respectively. "iWeekly" generated an advertising revenue of RMB4.6 million during the Interim Period, outperforming its milestone target of RMB3.0 million. It continues to be recognized as one of the most successful media applications on the Apple's iPhone and iPad platforms.

(B) BUSINESS OUTLOOK

Looking forward to the second half of 2011, we see both risks and opportunities ahead in the market. Economic conditions are expected to be volatile owing to the recent sovereign debt crisis and sluggish recovery in the developed countries, and the worsening inflation in developing countries, including the PRC. These negative factors are casting shadows on the consumption market, eventually affecting advertisement placement. However, the PRC government has demonstrated its determination in stimulating the domestic consumption continuously. The PRC shall continue to lead the global growth in 2011. Therefore, we expect to be benefited from the positive economic outlook, and continue our growth momentum. Directors are cautiously optimistic about the prospect of the Group in the near future. Besides launching new titles to further strengthen its leading position in print media, the Group will continue its efforts in constructing its multi-media platform, transforming the Group from a leading magazine media enterprise to a leading integrated media enterprise. The share placement to United Achievement Limited ((“UAL”), a company indirectly controlled by Warburg Pincus & Co (“Warburg Pincus”) as to 96.9%), Chow Tai Fook Enterprise Limited (through its wholly owned subsidiary) and SHK Hong Kong Industries Limited, and the announcement to form a digital media and an e-commerce joint-venture with UAL during the Interim Period have demonstrated the Group’s determination and readiness to escalate the speed in developing a multi-media platform.

i) Launching Bloomberg Businessweek Chinese Edition

Following the launch of “U+ Weekly” two years ago, the Group will launch another flagship weekly magazine, the simplified Chinese edition of “Bloomberg Businessweek”, in the second half of 2011. The Group will utilize the editorial materials published by Bloomberg L.P. and develop contents best suited for local readers to launch the said magazine. The magazine will be firstly distributed on a bi-weekly basis. It will help strengthen the Group’s positioning in the area of business publication. It will not only create additional revenue sources to the Group, but it will also enlarge our advertising clientele to new categories, such as banks, insurance companies, and financial institutions. We expect that in the coming years, the simplified Chinese edition of “Bloomberg Businessweek” will become one of the core print media products of the Group, alongside with “Modern Weekly” and “U+ Weekly”. Meanwhile, the collaboration with Bloomberg L.P. further demonstrates the exceptional production quality of our Group that has been highly recognized by leading international publishers.

ii) Expanding Distribution Network of Modern TV

Following the preliminary success in launching the “Style-weekend” series of TV programs, we aim to elevate the influence of these programs through expanding its distribution network. We will continue our syndicated efforts with TV stations of major PRC cities, reaching more elite audience in these prosperous Chinese cities. Meanwhile, we will broadcast these programs on our own multi-media channel, such as the “iWeekly” iPhone and iPad application. Growth in number of audience will drive up the price of our TV advertisement. With greater amount of advertising revenue, we will invest in producing more high quality TV programs. Our goal is to develop the Modern TV into a self-sustained business within one to two years.

(B) BUSINESS OUTLOOK (Continued)

iii) Developing Mobile Digital Media

According to the Group's announcement dated 27 June 2011, it will form a digital media joint-venture with UAL, which will be owned as to 60.0% and 40.0% by the Group and UAL respectively. The initial investment amount will be RMB100.0 million in total. The Group contributes its investment amount by transferring its "iWeekly" business and related business and assets to the said joint-venture, while UAL contributes RMB40.0 million in cash. Based on the success of "iWeekly", a pilot product of mobile digital media, the joint-venture will launch a series of new mobile digital media products, such as digital newspaper, segmented magazines and video application etc., to capture the tremendous market opportunities created by the rapid growth of mobile devices, such as smartphones and tablet computers. Besides free publication and advertising model as applied in "iWeekly", the joint-venture in the future may introduce flexible business model combination, including paid publication and various advertising models. The Group believes that mobile digital media may become the major trend of new media development. Early entrance into the business will help the Group secure its leading position in the next generation of media industry.

iv) Exploring Luxury e-Commerce Opportunities

Further to the aforementioned digital media joint-venture, the Group will form an e-commerce joint-venture with UAL, which will be owned as to 51.0% and 49.0% by the Group and UAL respectively. The joint-venture will raise US$10.0 million cash capital from both investors according to the aforesaid shareholding composition. The joint-venture is seeking a retail partner to launch an e-Commerce website in selling luxury products. By leveraging on the Group's significant influence on the Chinese elite consumers and luxury brands, as well as the current heat of luxury consumption in the PRC, the joint-venture is aiming to build a leading luxury product e-Commerce business in the PRC.

(C) LIQUIDITY AND FINANCIAL RESOURCES

The Group's net cash flows and unsecured banking facilities

The Group finances its operations principally with cash flow generated by its operating activities and, to a lesser extent, bank facilities provided by its principal bankers.

For the Interim Period, the Group recorded net cash outflow in operating activities of RMB12.6 million (2010: net cash inflow: RMB 5.3 million). The changes in the net cash outflow in operating activities was largely due to tax payments of RMB20.5 million (2010: RMB11.2 million). The Group recorded net cash outflow in investing activities of RMB32.8 million for the Interim Period largely due to investments in fixed assets of RMB33.2 million (2010: RMB8.0 million) including the purchase of building held for own use, furniture, fixtures and equipment for the Digital Media and Television operation. The Group recorded net cash inflow in financing activities of RMB40.8 million largely resulted from the proceeds from placing of shares of RMB42.4 million in May 2011.

As of 30 June 2011, the Group had available banking facilities of approximately RMB14.3 million and of which RMB9.2 million had been utilized. All its bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in Hong Kong Dollars (HK$) and Renminbi (RMB).

(C) LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Net cash and gearing

As at 30 June 2011, the Group's net cash position decreased by RMB6.7 million, to RMB51.0 million (31 December 2010: RMB57.7 million), which was made up of bank deposits and cash of approximately RMB75.6 million and total outstanding borrowings of approximately RMB24.6 million. The total borrowings consisted of secured bank loans of approximately RMB15.4 million and unsecured bank loan of approximately RMB9.2 million. The gearing ratio as at 30 June 2011 was 5.6% (31 December 2010: 5.5%), which was calculated based on the total debts divided by total assets.

As at 30 June 2011, the total borrowings of the Group were repayable as follows:

	At 30 June 2011 *RMB'000*	At 31 December 2010 *RMB'000*
Within 1 year or on demand	**10,697**	8,301
After 1 year but within 2 years	**1,663**	1,638
After 2 years but within 5 years	**5,802**	5,630
After 5 years	**6,435**	7,381
	13,900	14,649
	24,597	22,950

Placing of shares

On 19 May 2011, the Company issued and allotted 20,850,000 shares at a price of HK$2.5 per share to Mr Shao Zhong for gross proceeds of HK$52,125,000 (equivalent to RMB43,295,000). The shares were issued for the purpose of share placement in May 2011.

Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on fixed assets of approximately RMB33.2 million (corresponding period of 2010: RMB8.0 million).

At 30 June 2011, the Group did not have any capital commitment.

Management Discussion and Analysis

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2011, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

As at 30 June 2011, the Group's bank loan of RMB15.4 million was secured by a charge over the Group's property in Beijing, the PRC and guarantees from the Company and Shanghai Gezhi Advertising Co., Ltd, a subsidiary of the Group. There was a contingent liability in respect of guarantee given by Shanghai Yage Advertising Co., Ltd., a subsidiary of the Group, up to RMB5.0 million.

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 Interim Period.

EMPLOYEES

As at 30 June 2011, the Group had a total of 941 staff (as at 31 December 2010: 801 staff), whose remunerations and benefits are determined based on market rates, State policies and individual performance. The increase in the number of employees was mainly due to the expansion of editorial staff of the simplified Chinese edition of "Bloomberg Businessweek" and "Chutzpah!" and production staff for TV division.

By Order of the Board
Modern Media Holdings Limited
Shao Zhong
Chairman

Hong Kong, 17 August 2011

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2011, 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")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("the Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") 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	The Company	Beneficial owner	272,644,000	62.27
Wong Shing Fat	The Company	Beneficial owner	1,000,000	0.23
Li Jian	The Company	Beneficial owner	1,000,000	0.23
Mok Chun Ho, Neil	The Company	Beneficial owner	668,000	0.15
Cui Jianfeng	The Company	Beneficial owner	668,000	0.15

Corporate Governance and Other Information

SUBSTANTAIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OF SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

So far as is known to the Directors of the Company, as at 30 June 2011, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the shares, or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to section 336 of the SFO, to be recorded in the register referred to therein, or which had already been notified to the Company and the Stock Exchange:

Name of Shareholder	Capacity	Number of ordinary shares of the Company held	Percentage of issued ordinary shares as at 30 June 2011
Zhou Shao-min (note 1)	Interest of Spouse	272,644,000 (L)	62.27%
Cheah Capital Management Limited (note 2)	Interest of corporation controlled by the substantial shareholder	25,480,000 (L)	5.82%
Cheah Cheng Hye (notes 2, 3)	Founder of a discretionary trust	25,480,000 (L)	5.82%
Cheah Company Limited (note 2)	Interest of corporation controlled by the substantial shareholder	25,480,000 (L)	5.82%
Hang Seng Bank Trustee International Limited	Trustee (other than a bare trustee)	25,480,000 (L)	5.82%
To Hau Yin (note 3)	Interest of a substantial shareholder's child under 18 or spouse	25,480,000 (L)	5.82%
Value Partners Group Limited (note 2)	Interest of corporation controlled by the substantial shareholder	25,480,000 (L)	5.82%
Value Partners Limited	Investment manager	25,480,000 (L)	5.82%
United Achievement Limited (note 4)	Beneficial owner	25,020,000 (L)	5.71%
Warburg Pincus & Co. (note 4)	Interest of corporation controlled by the substantial shareholder	25,020,000 (L)	5.71%
Warburg Pincus Partners LLC (note 4)	Interest of corporation controlled by the substantial shareholder	25,020,000 (L)	5.71%
Warburg Pincus Private Equity X, L.P. (note 4)	Interest of corporation controlled by the substantial shareholder	25,020,000 (L)	5.71%
Warburg Pincus X, L.P. (note 4)	Interest of corporation controlled by the substantial shareholder	25,020,000 (L)	5.71%
Warburg Pincus X, LLC (note 4)	Interest of corporation controlled by the substantial shareholder	25,020,000 (L)	5.71%

SUBSTANTAIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OF SHORT POSITIONS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Continued)

*Notes:

1. Madam Zhou Shao-min is the wife of Mr. Shao Zhong and she is deemed interested in the shares held by Mr. Shao Zhong under the SFO.

2. According to the corporate substantial shareholder notice of Value Partners Limited filed on 23 May 2011, Cheah Cheng Hye, Value Partners Group Limited, Cheah Capital Management Limited and Cheah Company Limited are its director, immediate holding company, intermediate holding company and intermediate holding company respectively.

3. The relationship between To Hau Yin and Cheah Cheng Hye is parent and child under 18 year of age.

4. 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 or 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, 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.

5. Based on 437,850,000 shares of the Company in issue as at 30 June 2011.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the shares purchased during the Interim Period are set out in note 11(c) to the interim financial report.

SHARE OPTIONS

A share option scheme ("Scheme") was conditionally adopted by a resolution in writing passed by the then sole shareholder of the Company held 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 has lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 30 June 2011.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Interim Period.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company had complied throughout the Interim Period with all the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to theListing Rules.

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. Details of the Group's internal control and risk management processes are set out in the Corporate Governance Report on page 38 of the Company's 2010 annual financial statements.

In respect of the year ended 31 December 2010, the Board considered the Group's internal control system effective and adequate. During the Interim Period, no significant areas of concern that might affect Shareholders were identified.

SHAREHOLDER RELATIONS

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. Shareholders may visit the Group's website: www.modernmedia.com.cn for up-to-date financial and other information about the Group and its activities.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Chairman of the Audit Committee possesses appropriate professional qualification and experience in financial matters.

The unaudited interim financial statements for the six months ended 30 June 2011 have been reviewed with no disagreement by the Audit Committee of the Company.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises one executive Director and two independent non-executive Directors. They are responsible for making recommendations to the Board on setting policy on the remuneration of the Directors and determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conducts regarding Director's securities transaction. Having made specific enquiry to all the Directors, all of them confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the Interim Period.

Review Report to the Board of Directors of Modern Media Holdings Limited

INTRODUCTION

We have reviewed the interim financial report set out on pages 16 to 38 which comprises the consolidated statement of financial position of Modern Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2011 and the related consolidated statement of comprehensive income, the consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 August 2011

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

Six months ended 30 June 2011 HK$'000 (Unaudited)		Note	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
283,500	**Turnover**	3, 4	235,485	183,071
(130,135)	Cost of sales		(108,095)	(83,491)
153,365	**Gross profit**		127,390	99,580
2,301	Other revenue		1,911	2,796
(324)	Other net (loss)/income		(269)	289
(61,164)	Selling and distribution expenses		(50,805)	(45,842)
(66,971)	Administrative and other operating expenses		(55,628)	(44,241)
27,207	**Profit from operations**		22,599	12,582
(881)	Finance costs	5(a)	(732)	(562)
(644)	Share of loss of an associate		(535)	—
(914)	Share of loss of a jointly controlled entity		(759)	(986)
24,768	**Profit before taxation**	5	20,573	11,034
(8,329)	Income tax	6	(6,918)	(4,986)
16,439	**Profit for the period**		13,655	6,048
	Other comprehensive income for the period			
(567)	Exchange differences on translation of financial statements of overseas subsidiaries		(471)	(289)
15,872	**Total comprehensive income for the period**		13,184	5,759

Consolidated Statement of Comprehensive Income (continued)

For the six months ended 30 June 2011 - unaudited
(Expressed in Renminbi)

Six months ended 30 June 2011 HK$'000 (Unaudited)		Note	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
16,439	Profit attributable to equity shareholders		**13,655**	6,048
15,872	Total comprehensive income attributable to equity shareholders		**13,184**	5,759
	Earnings per share (RMB)	7		
HK$0.040	Basic and diluted		**0.033**	0.015

The notes on pages 23 to 38 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2011 - unaudited
(Expressed in Renminbi)

At 30 June 2011 HK$'000 (Unaudited)		Note	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
	Non-current assets			
118,064	Fixed assets	8	98,068	72,063
7,488	Intangible assets		6,220	7,031
15,604	Goodwill		12,961	12,961
4,755	Interest in an associate		3,950	4,485
1,123	Interest in a jointly controlled entity		933	1,692
2,408	Investments		2,000	2,000
3,778	Deferred tax assets		3,138	3,188
153,220			127,270	103,420
	Current assets			
197,305	Trade receivables	9	163,888	153,644
86,795	Other receivables, deposits and prepayments		72,095	77,571
91,024	Deposits and cash		75,608	80,613
375,124			311,591	311,828
	Current liabilities			
12,878	Bank loans		10,697	8,301
23,182	Trade payables	10	19,256	23,777
524	Amount due to a jointly controlled entity		435	766
70,960	Other payables and accruals		58,942	71,642
19,129	Taxation payable		15,889	29,430
126,673			105,219	133,916
248,451	**Net current assets**		206,372	177,912

Consolidated Statement of Financial Position (continued)

At 30 June 2011 - unaudited
(Expressed in Renminbi)

At 30 June 2011 HK$'000 (Unaudited)		Note	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
	Total assets less			
401,671	current liabilities		333,642	281,332
	Non-current liabilities			
(16,734)	Bank loans		(13,900)	(14,649)
384,937	Net assets		319,742	266,683
	Capital and reserves	11		
4,633	Share capital		3,848	3,675
380,304	Reserves		315,894	263,008
384,937	Total equity		319,742	266,683

The notes on pages 23 to 38 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011 - Unaudited
(Expressed in Renminbi)

	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus and general reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2010	3,531	(2,064)	83,838	4,259	27,308	(835)	83,260	199,297
Changes in equity for the six months ended 30 June 2010:								
Profit for the period	—	—	—	—	—	—	6,048	6,048
Other comprehensive income	—	—	—	—	—	(289)	—	(289)
Total comprehensive income for the period	—	—	—	—	—	(289)	6,048	5,759
Shares purchased for Share Award Scheme (note 11(c))	—	(2,732)	—	—	—	—	—	(2,732)
Shares vested under Share Award Scheme (note 11(c))	—	126	—	—	—	—	—	126
At 30 June 2010	3,531	(4,670)	83,838	4,259	27,308	(1,124)	89,308	202,450
At 1 July 2010	3,531	(4,670)	83,838	4,259	27,308	(1,124)	89,308	202,450
Changes in equity for the six months ended 31 December 2010:								
Profit for the period	—	—	—	—	—	—	46,704	46,704
Other comprehensive income	—	—	—	—	—	(925)	—	(925)
Total comprehensive income for the period	—	—	—	—	—	(925)	46,704	45,779
Placing of shares	144	—	18,310	—	—	—	—	18,454
At 31 December 2010	3,675	(4,670)	102,148	4,259	27,308	(2,049)	136,012	266,683

For the six months ended 30 June 2011 - Unaudited
(Expressed in Renminbi)

	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Other reserve RMB'000	Statutory surplus and general reserves RMB'000	Exchange reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2011	3,675	(4,670)	102,148	4,259	27,308	(2,049)	136,012	266,683
Changes in equity for the six months ended 30 June 2011:								
Profit for the period	—	—	—	—	—	—	13,655	13,655
Other comprehensive income	—	—	—	—	—	(471)	—	(471)
Total comprehensive income for the period	—	—	—	—	—	(471)	13,655	13,184
Placing of shares (note 11(a))	173	—	42,209	—	—	—	—	42,382
Shares purchased for Share Award Scheme (note 11(c))	—	(2,507)	—	—	—	—	—	(2,507)
At 30 June 2011	3,848	(7,177)	144,357	4,259	27,308	(2,520)	149,667	319,742

The notes on pages 23 to 38 form part of this interim financial report.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 - Unaudited
(Expressed in Renminbi)

Six months ended 30 June 2011 HK$'000 (Unaudited)		Six months ended 30 June 2011 RMB'000 (Unaudited)	Six months ended 30 June 2010 RMB'000 (Unaudited)
9,428	Cash generated from operations	7,831	16,581
(24,631)	Tax paid	(20,459)	(11,232)
(15,203)	Net cash (used in)/generated from operating activities	(12,628)	5,349
(39,486)	Net cash used in investing activities	(32,798)	(14,587)
49,107	Net cash generated from/(used in) financing activities	40,790	(3,798)
(5,582)	Net decrease in cash and cash equivalents	(4,636)	(13,036)
97,050	Cash and cash equivalents at 1 January	80,613	57,922
(444)	Effect of foreign exchange rate changes	(369)	(142)
91,024	Cash and cash equivalents at 30 June	75,608	44,744

The notes on pages 23 to 38 form part of this interim financial report.

1 CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate information

The Company was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Companies 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 A, B & C, 10/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and Suite 1101-03, 11/F., 1063 King's Road, Quarry Bay, Hong Kong respectively; and its registered office is at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

(b) Basis of preparation

The interim financial report is presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the interim financial report is the historical cost basis.

The amounts in this interim financial report are presented in RMB. The translation into Hong Kong dollars ("HK$") of this interim financial report as of, and for the six months ended 30 June 2011 is for convenience only and has been made at the rate of HK$1.2039 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.

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34, *Interim financial reporting* ("IAS 34"), issued by the International Accounting Standards Board (the "IASB"). It is authorised for issue by the Board of Directors on 17 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

1 CORPORATE INFORMATION AND BASIS OF PREPARATION (Continued)

(b) Basis of preparation (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants. KPMG'S independent review report to the Board of Directors is included on page 15.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2011.

2 CHANGES IN ACCOUNTING POLICIES

The Group has adopted the following revised IFRSs and new Interpretations issued by the IASB that are first effective for the accounting period commencing from 1 January 2011.

– International Accounting Standard ("IAS") 24 (revised 2009), *Related party disclosures*

– Improvements to IFRSs (2010)

The Improvements to IFRSs (2010) consists of amendments to existing standards, including an amendment to IAS 34, *Interim financial reporting.* IAS 34 (amendment) provides for further disclosures in interim financial reports. It has had no financial impact on the Group's interim financial report.

The other developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. The developments have had no material impact on the contents of this interim financial report.

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

3 SEGMENT REPORTING

The Group has four (2010 (restated): two) reportable segments as described below, which are the Group's strategic business units. The Group's business units offer advertising services to its customers; and also provide circulation of magazines to distributors. During the six months ended 30 June 2011, the Group set up two new business units to take up two new operations, namely digital media and television. For each of the business units, the Group's senior executive management reviews internal management reports on a monthly basis. Segment information below is presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

– Print media advertising: this segment engages in the sale of advertising space in the Group's magazines to advertising customers in the PRC and Hong Kong.

  The Group's advertising business was previously segregated into five reportable segments on a geographical basis. These five reportable segments are re-grouped as "Print media advertising" segment to conform with the internal management reporting. The comparative figures have been restated accordingly.

– Circulation: this segment engages in the publication of and the distribution of the Group's magazines in the PRC and Hong Kong.

– Digital media: this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces. Currently, the "iWeekly" is the sole operating platform on this segment, which is a mobile digital media application operated on iPhone and iPad.

– Television: this segment engages in the sales of air-time television advertisements, sales of product placement advertisements within television programs, and syndication income from distributing programs to various television channels.

Other operations include the Group's provision of management and consultancy services, and exhibition and event arrangement services to the Group's customers.

3 SEGMENT REPORTING (Continued)

(a) Segment results and assets

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include fixed assets, intangible assets and trade receivables arising from each of the reportable segments as the Group's senior executive management considers that the utilisation of fixed assets and intangible assets and the recoverability of trade receivables have significant impact to the Group's actual performance, liquidity and credit risk. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

Segment assets previously only included trade receivables of each reportable segment as the utilisation of fixed assets and intangible assets were previously monitored on a group basis. Starting from 1 January 2011, fixed assets and intangible assets are grouped to each reportable segment to conform with the internal management reporting. The comparative figures have been restated accordingly.

Revenue and expenses are allocated to the reportable segments with reference to the income generated by those segments and the expenses incurred by those segments. Segment results do not include the Group's share of results arising from the activities of the Group's associate and jointly controlled entity as these investments do not form a significant part of the Group's operation.

The measure used for reporting segment profit or loss is profit or loss before tax, as included in the internal management reports that are reviewed by the Group's senior executive management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to the budget of the respective segments, and other entities that operate within these industries.

3 SEGMENT REPORTING (Continued)

(a) Segment results and assets (Continued)

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2011 and 2010 is set out below:

	Six months ended 30 June 2011 (unaudited)				
	Print media advertising	Digital media	Television	Circulation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	235,807	4,570	994	10,281	251,652
Reportable segment profit/(loss)	72,343	1,737	(3,905)	(46,590)	23,585
Interest income	97	—	—	1	98
Interest expense	(661)	—	—	—	(661)
Depreciation for the period	(6,056)	(33)	(281)	(17)	(6,387)
Amortisation for the period	(255)	(600)	—	—	(855)
Reportable segment assets	231,211	7,190	8,104	14,379	260,884

	Six months ended 30 June 2010 (unaudited) (restated)				
	Print media advertising	Digital media	Television	Circulation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reportable segment revenue derived from the Group's external customers	182,786	—	—	7,659	190,445
Reportable segment profit/(loss)	43,560	—	—	(35,897)	7,663
Interest income	54	—	—	1	55
Interest expense	(562)	—	—	—	(562)
Depreciation for the period	(5,613)	—	—	(16)	(5,629)
Amortisation for the period	(254)	—	—	—	(254)
Reportable segment assets as at 31 December 2010	206,469	4,314	—	11,317	222,100

3 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss and assets

	Six months ended 30 June 2011 RMB'000 (Unaudited)	Six months ended 30 June 2010 RMB'000 (Unaudited)
Revenue		
Reportable segment revenue derived from the Group's external customers	**251,652**	190,445
Other income	**6,345**	9,749
Less: Sales taxes and other surcharges	**(22,512)**	(17,123)
Consolidated turnover	**235,485**	183,071

	Six months ended 30 June 2011 RMB'000 (Unaudited)	Six months ended 30 June 2010 RMB'000 (Unaudited)
Profit		
Reportable segment profit derived from the Group's external customers	**23,585**	7,663
Other income	**6,345**	9,749
Share of loss of an associate	**(535)**	—
Share of loss of a jointly controlled entity	**(759)**	(986)
Unallocated head office and corporate expense (note)	**(8,063)**	(5,392)
Consolidated profit before taxation	**20,573**	11,034

Note: Depreciation of RMB347,000 and RMB290,000 is included in unallocated head office and corporate expense for the six months ended 30 June 2011 and 2010 respectively.

Interest income of RMB2,000 and RMB8,000 is included in unallocated head office and corporate expense for the six months ended 30 June 2011 and 2010 respectively.

Interest expenses of RMB71,000 and RMB Nil is included in unallocated head office and corporate expenses for the six months ended 30 June 2011 and 2010 respectively.

3 SEGMENT REPORTING (Continued)

(b) Reconciliations of reportable segment revenues, profit or loss and assets (Continued)

	At 30 June 2011 *RMB'000* (Unaudited)	At 31 December 2010 *RMB'000* (Audited) (restated)
Assets		
Reportable segment assets	**260,884**	222,100
Corporate and unallocated assets	**7,292**	10,638
Goodwill	**12,961**	12,961
Interest in an associate	**3,950**	4,485
Interest in a jointly controlled entity	**933**	1,692
Investments	**2,000**	2,000
Deferred tax assets	**3,138**	3,188
Other receivables, deposits and prepayments	**72,095**	77,571
Deposits and cash	**75,608**	80,613
Consolidated total assets	**438,861**	415,248

4 TURNOVER

The Group is principally engaged in the provision of multimedia advertising services, printing and distribution of magazines and provision of advertising-related services.

Turnover represents the invoiced sales net of sales discounts, sales returns and sales tax.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Advertising income	**240,377**	182,786
Circulation income	**10,281**	7,659
Sponsorship, event and service income	**7,339**	9,749
	257,997	200,194
Less: Sales taxes and other surcharges	**(22,512)**	(17,123)
	235,485	183,071

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest charged on		
– Bank loans repayable within 5 years	**156**	—
– Bank loans repayable after 5 years	**576**	562
	732	562
(b) Other items		
Depreciation of fixed assets	**6,734**	5,919
Amortisation of intangible assets	**855**	254
Operating lease charges in respect of properties	**8,436**	7,352
Impairment losses on trade receivables, net	**198**	298
Interest income from bank deposits	**(100)**	(63)
Net foreign exchange loss/(gain)	**268**	(235)

6 INCOME TAX

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Corporate Income Tax		
Provision for the period	**6,586**	4,483
Under-provision in respect of prior years	**332**	—
	6,918	4,483
Deferred tax		
Origination of temporary differences	**—**	503
Actual tax expense	**6,918**	4,986

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) No provision for Hong Kong Profits Tax was made as the subsidiaries in Hong Kong incurred tax losses for the six months ended 30 June 2011 and 2010.

(iii) Taxation for subsidiaries operating in the PRC is calculated at the prevailing tax rates based on existing legislation, interpretations and practices in respect thereof.

(iv) No tax attributable to associate and jointly controlled entity for the six months ended 30 June 2011 and 2010 are included in the shares of results of associate and jointly controlled entity respectively.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company for the period of RMB13,655,000 (2010: RMB6,048,000) and the weighted average number of ordinary shares in issue after adjusting for shares held for share award scheme and share placement of 417,112,000 shares (2010: 396,125,000 shares), calculated as follows:

	2011	2010
	'000	*'000*
Issued ordinary shares at 1 January	**417,000**	400,000
Effect of shares held for share award scheme	**(4,841)**	(3,875)
Effect of share placement	**4,953**	—
Weighted average number of ordinary shares at 30 June	**417,112**	396,125

There were no dilutive potential ordinary shares during the six months ended 30 June 2011 and 2010.

8 FIXED ASSETS

During the six months ended 30 June 2011, the Group acquired items of fixed assets in aggregate amounts of RMB33,194,000, which primarily consisted of a building held for own use situated in Hangzhou, the PRC under long term lease, furniture and fixtures and leasehold improvements amounting to RMB8,493,000, RMB10,644,000 and RMB8,621,000 respectively.

Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

9 TRADE RECEIVABLES

An ageing analysis of trade receivables by transaction date as of the end of the reporting period is as follows:

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Within 30 days	**35,391**	67,053
31 days to 90 days	**70,768**	54,826
91 days to 180 days	**47,671**	28,677
Over 180 days	**10,942**	3,774
	164,772	154,330
Less: Allowance for doubtful debts	**(884)**	(686)
	163,888	153,644

The Group normally allows a credit period ranging from 30 to 150 days to its advertising and circulation customers. Normally, the Group does not hold any collateral from its customers.

10 TRADE PAYABLES

An ageing analysis of trade payables of the Group is as follows:

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Within 30 days	**4,833**	6,196
31 days to 90 days	**13,615**	10,318
91 days to 180 days	**627**	7,040
Over 180 days	**181**	223
	19,256	23,777

All of the trade payables are expected to be settled within one year.

11 CAPITAL, RESERVES AND DIVIDENDS

The movements in the authorised and issued share capital of the Company during the six months ended 30 June 2011 are set out as follows:

The Company

			Ordinary shares of HK$0.01 each	
	Note	No. of shares	*HK$'000*	*RMB'000*
Authorised:				
At 1 January 2010, 31 December 2010, 1 January 2011 and 30 June 2011		8,000,000,000	80,000	70,485
Issued and fully paid:				
At 1 January 2010		400,000,000	4,000	3,531
Placing of shares		17,000,000	170	144
At 31 December 2010 and 1 January 2011		417,000,000	4,170	3,675
Placing of shares	(a)	20,850,000	208	173
At 30 June 2011		437,850,000	4,378	3,848

(a) Placing of shares

On 19 May 2011, the Company issued and allotted 20,850,000 shares at a price of HK$2.5 per share to Mr Shao Zhong for gross proceeds of HK$52,125,000 (equivalent to RMB43,295,000). The difference of HK$50,818,000 (equivalent to RMB42,209,000) between the net proceeds of HK$51,026,000 (equivalent to RMB42,382,000) and the par value of the share issued of HK$208,000 (equivalent to RMB173,000) has been credited to the share premium account of the Company. The shares were issued for the purpose of share placement (the "Placing") in May 2011.

Details of the Placing and subscription of shares were set out in the Company's announcement dated 6 May 2011.

(b) Dividends

No dividend was declared and distributed during the six months ended 30 June 2011 and 2010.

11 CAPITAL, RESERVES AND DIVIDENDS (Continued)

(c) Equity settled share-based transactions

During the six months ended 30 June 2011, the controlled special purpose entity purchased 1,600,000 (30 June 2010: 2,360,000) shares of the Company through purchases from the open market at a total cost (including related transaction costs) of HK$3,018,000 (equivalent to RMB2,507,000) (30 June 2010: HK$3,132,000, equivalent to RMB2,732,000) and had been debited to shares held for share award scheme (the "Award Scheme").

Movement in the number of shares held under the Award Scheme is as follows:

	Number of shares held	*RMB'000*
At 1 January 2010	1,820,000	2,064
Purchased during the period	2,360,000	2,732
Shares awarded and vested during the period	(110,000)	(126)
At 31 December 2010 and 1 January 2011	4,070,000	4,670
Purchased during the period	1,600,000	2,507
At 30 June 2011	5,670,000	7,177

During the six months ended 30 June 2011, no share (30 June 2010: 110,000 shares) was awarded and vested to selected employees, under the Award Scheme, as approved by the Board of Directors of the Company.

As at 30 June 2011, there was no outstanding unvested awarded shares.

12 CAPITAL COMMITMENTS

Capital commitments outstanding at 30 June 2011 but not provided for in the interim financial report were as follows:

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Contracted for	—	1,909

13 CONTINGENT LIABILITIES

At 30 June 2011 and 31 December 2010, there were contingent liabilities in respect of guarantees given by the Company on behalf of its subsidiaries relating to bank loans and credit facilities up to RMB20,444,000 (2010: RMB16,180,000). The Company had not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for its subsidiaries as their fair value cannot be reliably measured and their transaction price was RMB Nil (2010: RMB Nil).

At 30 June 2011 and 31 December 2010, the Directors do not consider it is probable that a claim will be made against the Company under of the guarantees.

At 30 June 2011 and 31 December 2010, the Group had no other material contingent liabilities.

14 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following related party transactions during the six months ended 30 June 2011 and 2010.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recurring		
Agency and commission income (note)	**278**	713

Note: This represented agency and commission income receivable from a jointly controlled entity, Hangzhou Shili Cultural Media Co., Ltd.（杭州實力文化傳播有限公司）for the provision of services as advertising agents. It is charged at a pre-determined rate mutually agreed, which is based on the market rates of the related services provided.

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

15 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDING 31 DECEMBER 2011

Up to the date of the interim financial report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2011 and which have not been adopted in the interim financial report.

	Effective for accounting periods beginning on or after
IFRS 7 (Amendments), *Financial Instruments: Disclosures*	1 July 2011
IAS 27 (2011), *Separate Financial Statements*	1 January 2013
IAS 28 (2011), *Interests in Associates and Joint Ventures*	1 January 2013
IFRS 9, *Financial instruments*	1 January 2013
IFRS 10, *Consolidated Financial Statements*	1 January 2013
IFRS 11, *Joint Arrangements*	1 January 2013
IFRS 12, *Disclosure of Interests in Other Entities*	1 January 2013

The Group is in the process of making an assessment of the expected impact of these amendments, new standards and new interpretations in the period of initial application. So far, it has concluded that these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.