Stock Code:72

MODERN MEDIA HOLDINGS LIMITED ANNUAL REPORT 2014

Global Vision

MODERN CHINA

現代傳播控股有限公司 2014年 年報

GLOBAL VISION

MODERN CHINA

國際視野 現代中國

NEW VISION

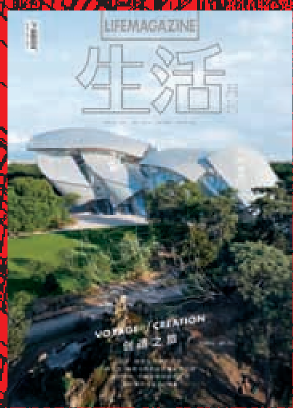
The top priority for an entrepreneur is
to figure out how to broaden business stream to
achieve strong corporate growth through conducting
research and analysis on the
trends and strategic opportunities. We regard crossover
extension and vertical integration as the basic
strategic methodology. And for sure it is critical to apply
the innovative technologies in order
to achieve the transition of the enterprise.

新展望

不斷拓展企業發展的空間，研究未來趨勢和
戰略機遇，從而達到高成長，是每一個
企業領導首要
必須思考和達成的目標。跨界延伸與
垂直整合是
最基本的戰略思考，當然
通過運用新技術去轉型是企業
發展的不二法寶。

NEW HIGH

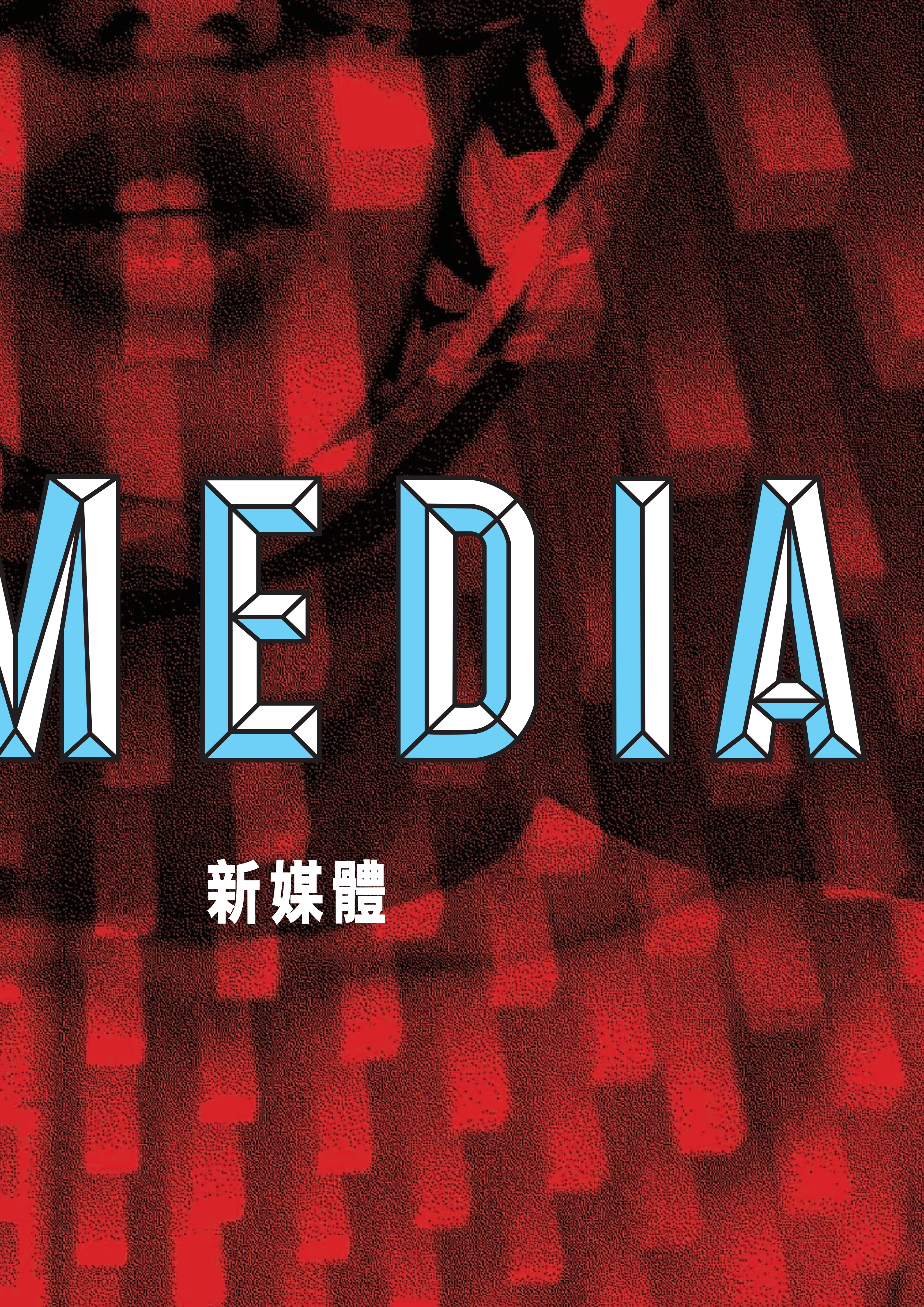
Modern Media has practiced these methodology and strategies ever since. During the past 20 years, we launched the first print title Modern Weekly which is the symbol of "Paperzine" Era, then successfully listed in main board of HKEX in 2009 with a print portfolio of 2 weeklies and 6 monthlies in Greater China, satisfying our audience with the information ranging from news, lifestyle, culture, arts to health. We have been recognized as the market leader amongst high-end magazine category in China.



新高端

現代傳播的發展就是以這樣的思維與目標去踐行。20 年來，現代傳播從開創 paperzine 時代的一本雜誌開始，到推動香港上市的 2 本周刊 6 本月刊佈局，涵蓋新聞、財經、生活、文化、藝術、健康等各個領域中國精英的閱讀需求，並且已成為中國高端雜誌的領導者。


NEW



MEDIA

新媒體

NEW MEDIA

Riding on the advanced mobile internet technologies, we launched series of mobile applications in recent years, helping us to win “China Mobile Internet APP–Strongest Growth Award” in Fashion & Lifestyle and Finance & Business category. Nowadays we explicitly shaped our business with the value proposition of a new media company in “Mobilezine”
Era by maintaining a mobile application portfolio, namely iWeekly, iBloomberg, iLady, iFashion, iCity, iTV, etc. We aim to achieve vertical integration in
each of the content categories through crossover extension strategy.

新媒體

近年更運用移動網絡技術在中國首先推出了多種資訊類的移動應用，
並被評為中國年度最具成長的時尚與財經類應用，如今經明確圍繞着 iWeekly、iBloomberg、iLady、iFashion、iCity、iTV 等移動應用程式組合，進行 mobilezine 時代的新媒體公司全新定位和佈局。各領域就是垂直整合，各路徑就是跨界延伸。

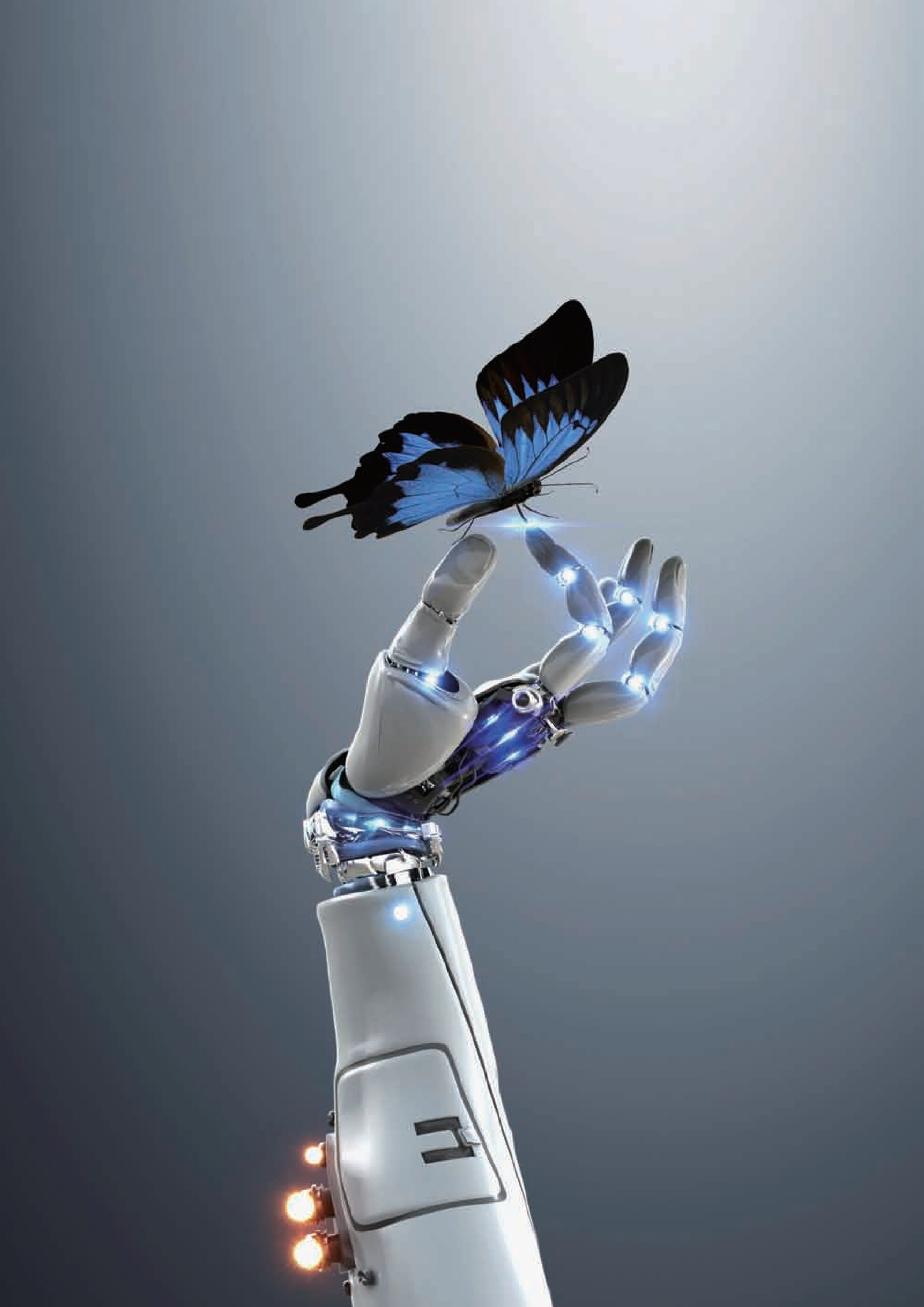

The Good Life
优仕生活
Numéro

NEW VALUE

Insights shape the future. Innovation never stops. The core competencies and innovative capability of a company is closely related to its core business. We always seek for the next growth driver from the new information technology. Mr. Qi LU, the President of Microsoft Online, indicates that “the key of innovation is to focus on cross value, and the top priority of us is to invent applications which can be networked under the cross value theme”. This year is the digital year of Modern Media, and we have to think about how to restructure our business to best fit the internet mind.

新價值

眼光決定將來，創新永不停息，一個公司的競爭力和創新力
與其選擇的核心業務緊密相關，我們總是不斷在新信息技術環境中找尋新的增長點。
微軟在綫總裁陸奇指出：“互聯網的新關鍵是在交互價值去着力，
我們的首要任務是打造可互聯的應用。”
今年是現代傳播的數字年，我們必須思考和做到如何讓自身更加符合互聯網的特質。



NEW FASHION

Since the launch of iLady application, an one–stop fashion platform with the “Ready–to–Buy “experience, we kept trying to provide the brand new customized online shopping experience to our user by leveraging media mind and trendy technical display. It means we have been working on some interesting and meaningful business, building a community which can promote and educate fashionable refined taste, and establishing an internet fashion marketing platform, which enables online to offline experience, and offline to online experience as well.

新時尚

現代傳播自推出了 iLady 應用程式的“看、用、買”一站式時尚平台以來，
在不斷探尋嘗試以媒體的思維，利用嶄新的呈現手段，
為大眾帶來用戶化的綫上時尚購物新體驗，
這意味着將開始自己新的有意思和有意義的事情，打造出培養對時尚精致生活有更好品味的體驗，建立綫上綫下移動互聯網時尚營銷推廣平台。

NEW NET-PAPER

We won’t feel regretted that tangible paper and stylish print magazine will eventually be recognized as art pieces. Yet we will inherit the spirit of “promoting global vision, pursuing modern China”, and the DNAs of fashionalizaiton, internationalization, refined taste, social responsibility, to our “Net–Paper” with infinite possibilities. Anytime. Anywhere.

新網紙

往事不足惜，我們有形的紙張和精美的雜誌變成藝術品，
而體現在紙張的傳播國際視野、追尋現代中國、時尚化，國際化、高品位、
社會心的精神，將以無處不在無時不在的流水精神，
存於心中，滲透到無限可能的互聯網紙張上。

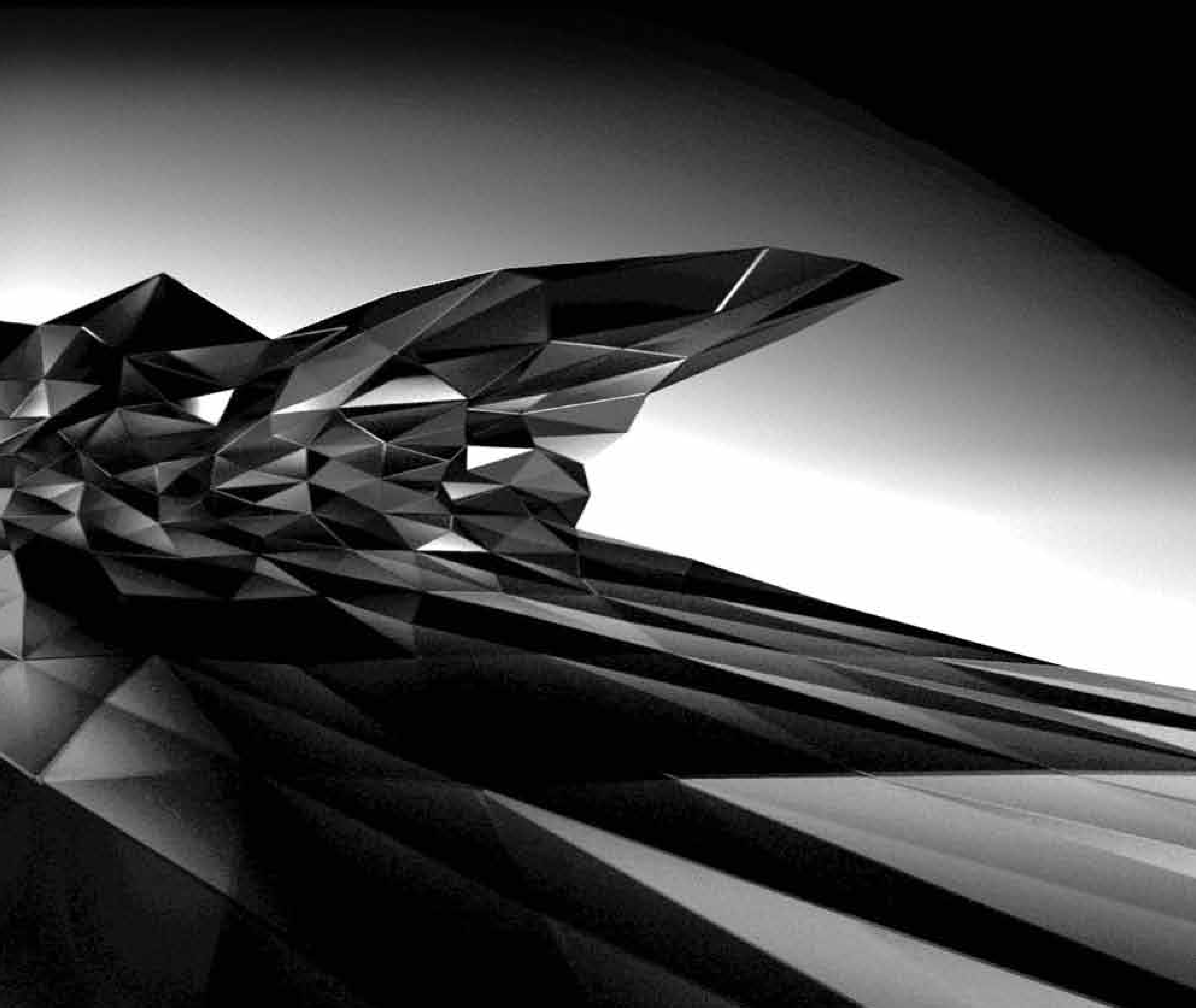
NEW P

The new target of Modern Media is to transform ourselves into
a mobile internet and lifestyle company, which enables stylish lives to shift
from limited reign to infinity.

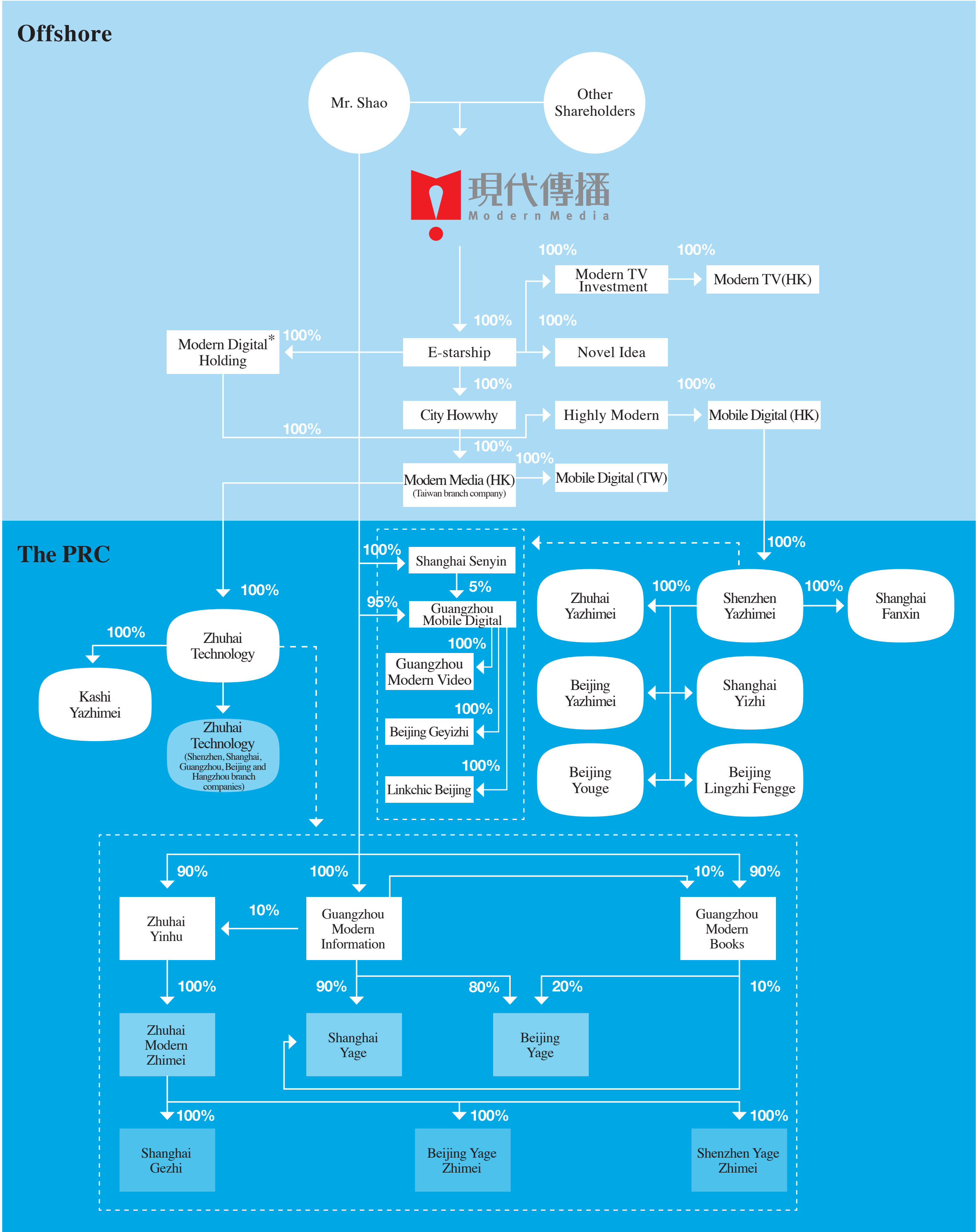
POWER

新動力

現代傳播的新目標，正是蛻變成為一家將高端時尚從有限拓展到無限的移動互聯網及生活方式公司。



Corporate Structure



* Companies set up after 31 December 2014.

"——" denotes direct legal and beneficial ownership in the equity interest.
"- - -" denotes control through a series of contractual relationship.

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

Non-executive Director

Dr. Cheng Chi Kong

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. 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

COMPANY SECRETARY

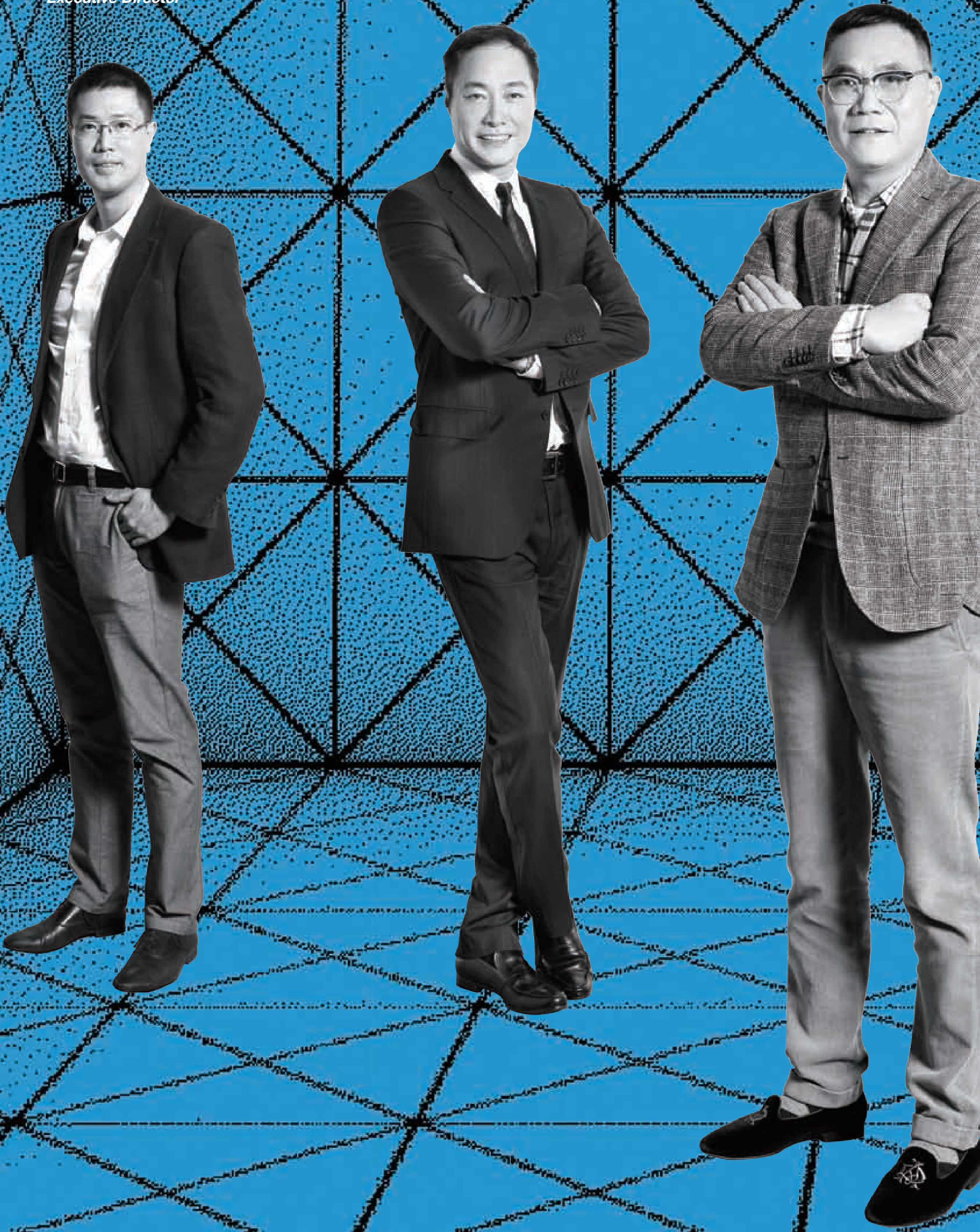
Mr. Mok Chun Ho, Neil *(FCPA (Practising), ATIHK, ACIS)*

AUTHORISED REPRESENTATIVES

Mr. Mok Chun Ho, Neil

Mr. Cui Jianfeng

Board of Directors
董事會



執行董事
崔劍鋒
Cui Jian Feng
Executive Director

執行董事
黃承發
Wong Shing Fat
Executive Director

主席
邵忠
Shao Zhong
Chairman

執行董事
厲劍
Li Jian
Executive Director

執行董事
莫峻皓
Mok Chun Ho, Neil
Executive Director

Corporate Information (continued)

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
10 Chater Road, Central
Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

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
Guangdong Province, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Global Trade Square
21 Wong Chuk Hang
Aberdeen
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 *(continued)*

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P.O. Box 2804
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
22nd Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

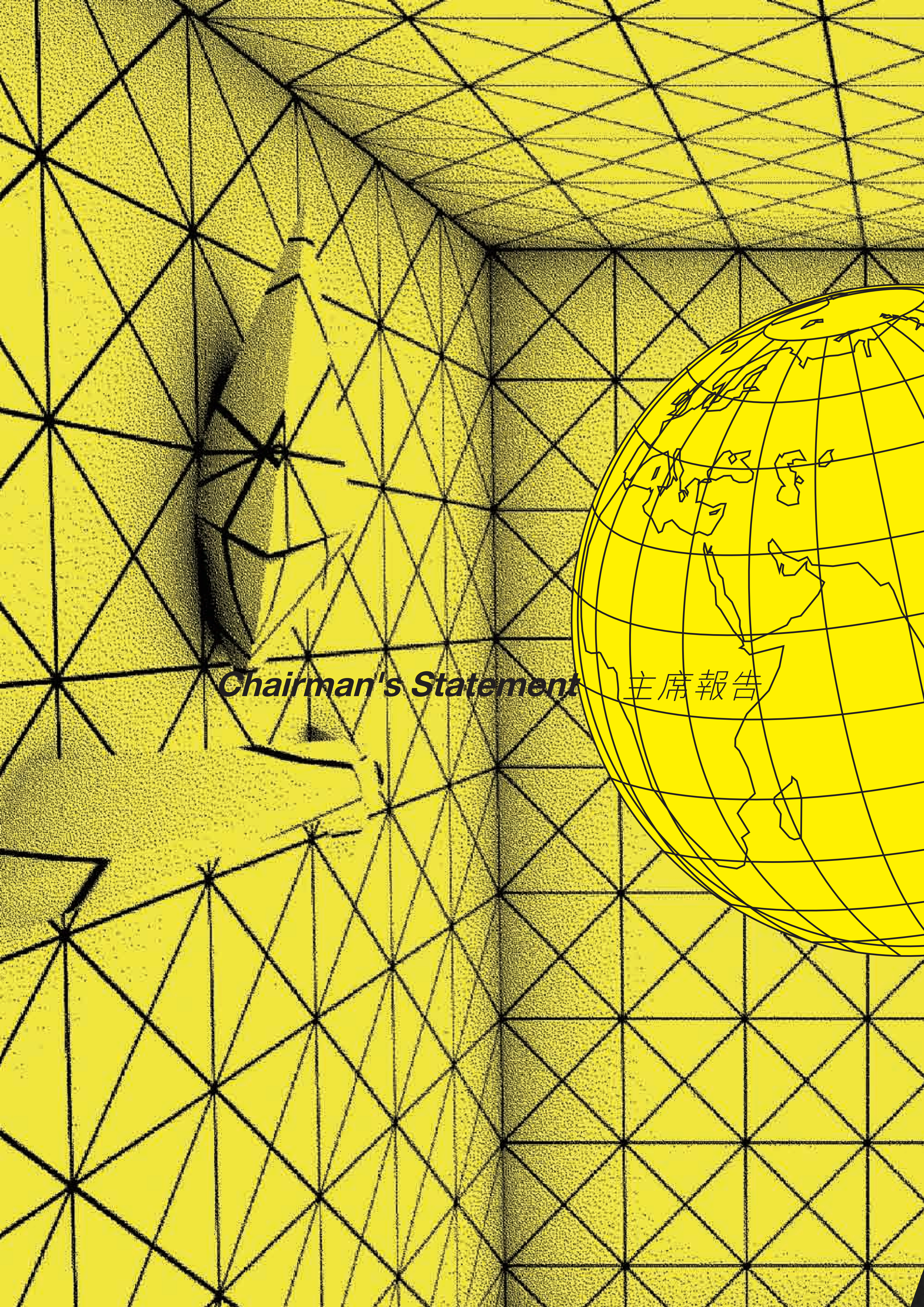
STOCK CODE

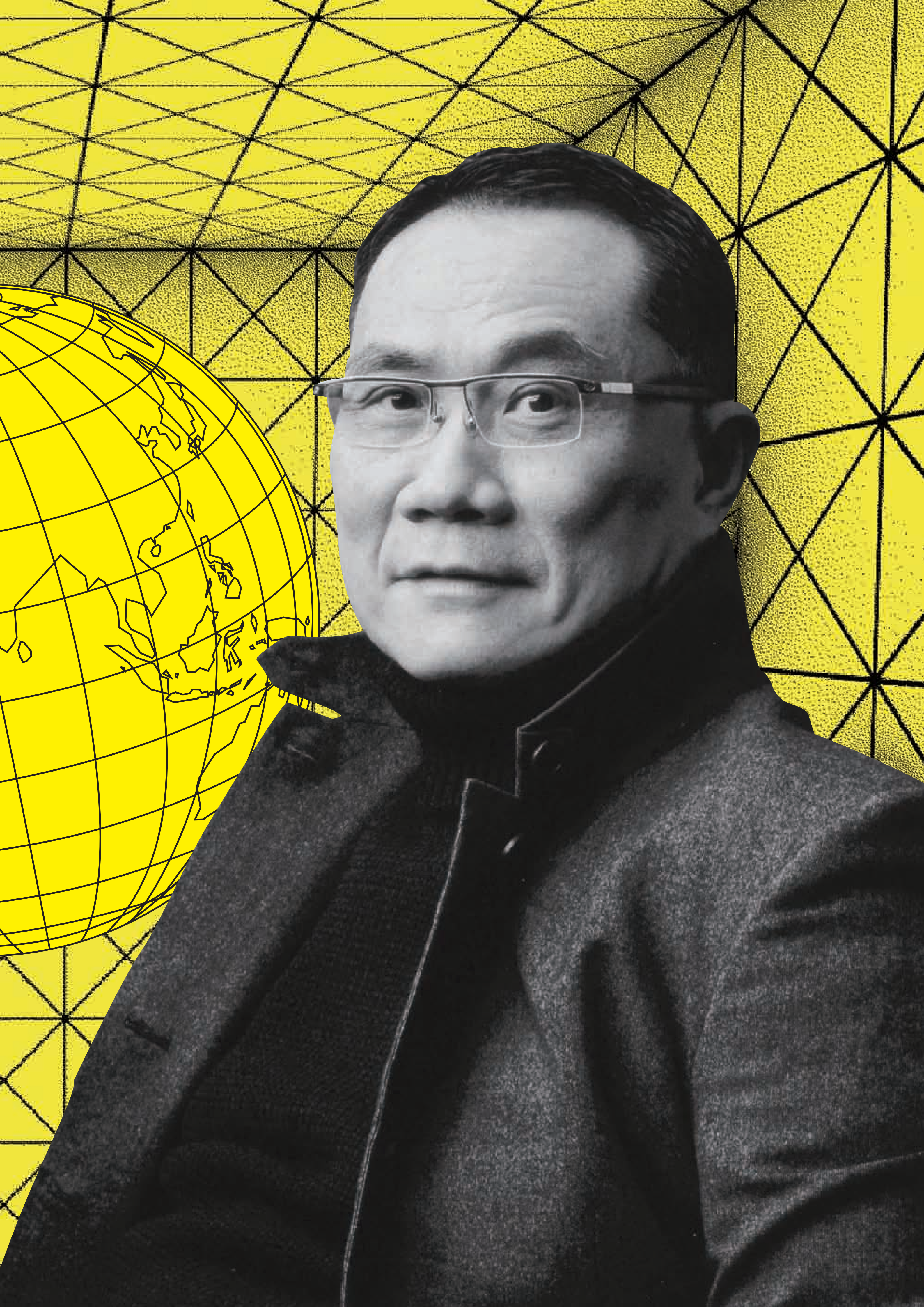
Stock code: 72

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 ("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 2014.

In 2014, the lethargic global economy recorded a slow recovery. Despite encouraging signs from the United States economy, the European economy continued to be lackluster amid shrinking bank loans, posing uncertainties to the global financial market. In the past year, the PRC economy was operating within reasonable fluctuation and displayed positive signs of change. The service-oriented tertiary industry posted strong growth while the emerging industries, such as mobile internet and e-commerce, also made accelerating development. Nevertheless, overall economic growth was below expectation and GDP growth of the PRC was 7.6% in 2014, which was the lowest in recent years. Downward pressure on the pace of economic growth in the PRC had hindered the advertising industry, which is closely related to the economic cycle. During the year, the luxury market in the PRC remained sluggish amid austerity campaigns implemented by the PRC Government, which caused significant impact in the landscape of the print advertising industry.

Given that customers are working with diversified choices of platforms for placement of advertisements on a more cautious advertising budget, additional advertising budgets were absorbed by the digital media sector and multi-media development is now a dominant trend in the industry. With an "over the horizon" vision, the Group has gradually developed from print media towards multi-media covering the three strategic businesses of print media, mobile digital media and TV since 2011, marking a series of milestones with respect to multi-media expansion and development. During the year under review, the Group adhered to the philosophy of "modern China and facilitating international trends", whereby the Group continued to be creative in the weakened advertising market to achieve stable progress. The Group overcame difficulties brought about by severe business environment and delivered satisfactory business performance for the year. In 2014, the core print media business of the Group remained the major source of profits, while the performance of the surging mobile digital media business was satisfactory and the TV business maintained its growth momentum. The Group is confident that the mobile digital media business will continue to grow at a fast pace and make more contribution to the growth of the Group. Under the uncertain economic environment, the Group's turnover slightly decreased by 4.3% to approximately RMB603.8 million (2013: approximately RMB631.2 million). Profit attributable to equity holders amounted to approximately RMB37.8 million (2013: approximately RMB33.2 million), representing a year-on-year increase of 13.9%. Earnings per share amounted to RMB0.09 (2013: RMB0.08). The directors of the Company (the "Directors") proposed to declare a final dividend of HK2.5 cents for the financial year ended 31 December 2014 (2013: HK5.0 cents) per share.

"Modern Weekly", the Group's flagship magazine for the elites in the PRC renowned for its international insight, continued to maintain its leading market position among lifestyle weekly magazines in the PRC. "Modern Weekly" topped the weekly magazine market in the PRC in terms of revenue for its high quality and diverse content, enjoying unrivalled esteem from numerous print media brand advertisers. Furthermore, in 2013, the Group started to publish "The Art Newspaper", an internationally recognised art informative newspaper, as a supplement of "Modern Weekly", which has attracted new advertising clients to our client portfolio, such as international auction houses and art galleries. Through consolidation and optimisation of contents of "The Art Newspaper", we intend to establish an online dissemination platform of highbrow culture exchange in the PRC, which is characterised by "professional content creation". It will provide mid-to-high-end brands with integrated marketing solutions comprising of brand consultancy, creative development, advertisement production, offline activities, etc.

The Group's another flagship magazine, "Modern Lady Weekly", has been modern female readers' favourite since its launch in 2008. It remains resilient as one of the leaders in terms of circulation volume among all women lifestyle weekly magazines in the PRC. During the year, "Modern Lady Weekly" adjusted its marketing strategy and successfully organised a series of interactive marketing events through the readers' club, namely "You Jia Hui" (優家薈). This series of marketing events attracted much attention from the market and were well-accepted by both the readers and members of "You Jia Hui" (優家薈).

Since its launch in 2011, our third flagship magazine "Bloomberg Businessweek/China" (Simplified Chinese edition) has been focusing on producing in-depth news and analytical articles covering a wide range of key subjects and issues around the globe for business leaders. With its primary coverage on topics related to worldwide economic development, the magazine is an important channel for the elites of the financial sector in grasping the market rhythm. The magazine ranked fifth in the business and financial magazine category in 2014 in terms of annual advertising revenue, up from seventh place in 2013. Additionally, "Bloomberg Businessweek/China" (Traditional Chinese edition) has been rescheduled into bi-weekly format from March 2014 in order to achieve greater cost saving and content synergies between the Traditional Chinese and Simplified Chinese edit. Following the move, financial performance of "Bloomberg Businessweek/China" (Traditional Chinese edition) has shown gradual improvement in the latter half of 2014.

On the other hand, the Group launched a new high-end men's lifestyle and business magazine, namely "The Good Life" (優仕生活) in both Hong Kong and the PRC market in June 2014 with a view to reinforce its strategic print media portfolio and satisfy the diversified demands of elite class readers from different ethnic and social segments. With a good blending of diverse contents from business, finance to fashion and lifestyle, together with a feat in disserting on different topics with insights, "The Good Life" offers high quality metropolitan lifestyle information to modern elite male readers.

Mobile digital media is increasingly developing into an omnipresence in daily life of modern people riding on the ongoing development in technological innovation in, inter alia, the mobile internet technology. Over the past few years, we have dedicated considerable effort to establishing a digital media platform alongside with our print media regime, and have further optimised our mobile media applications portfolio. During the year, "iWeekly", our flagship mobile App, enhanced its international coverage by incorporating selected contents from some of the famous foreign media brands which not only enabled it to appeal to a wider spectrum of readership, but also secured for it recognitions as one of the most successful Chinese media Apps on both Apple iOS and Android platforms. Our "iBloomberg" App has been well received by users ever since its launch to the market and the numbers of smartphone and tablet PC downloads have increased steadily. It was elected as one of the Best Apps in Apple's AppStore for 2013. We are optimistic that "iBloomberg" would follow the success of "iWeekly" and emerge as another income generator in our digital media operation. "iLady" is our comprehensive informative platform for elite women. By offering the "Ready-to-Buy" digital media experience to users, "iLady" was well-accepted by both the users and brand advertisers. During the year, "iLady" has been gradually transformed into a vertical e-commerce platform for fast fashion focusing on mix-and-match themes. We will leverage on the recent trend of e-commerce outbreak and take steps to establish a diversified business model covering shopping guide e-commerce, brand consulting and other value-added services, thereby setting up a community platform for sharing, communication, experience and shopping online and offline.

TV media business plays an essential role as a value-added complement for the Group's provision of integrated marketing solutions. It focuses on the production of customised TV programmes for brand advertisers. During the year, the Group had reviewed the cost structure of the TV segment and implemented certain cost saving measures. It is expected to reach breakeven within the next couple of years and win recognition and favour from more customers.

Looking ahead in 2015, various uncertainties loom large in the macroeconomic environment. Changes in currency policy in Europe and the United States will exert immediate influence on the global financial and capital market. Economy in the United States is set for a relatively stable expansion while the Eurozone, boosted by quantitative easing measures, is set for a gradual recovery. The PRC's economy, anticipating a new norm created by structural reforms, will adapt to a mid-to-high speed growth.

Despite downward pressure on the overall economic growth, the PRC is expected to endeavour to balance growth and reforms and exert increasing efforts on growth stabilisation. The Group remains cautiously optimistic about its future prospects and believes that the advertising industry will gradually recover in accordance with the general environment.

The Group is positioned as a media platform for Chinese elite culture with trendy, high grading, internationalisation and social responsibility as the core corporate values and "High Taste, High Touch, High Tech" as its core competitiveness. We will concentrate on eight major elite groups in the PRC, namely the public, female, business, culture, art, creativity, LOHAS and fashion, and their hobbies, spending patterns and preferences. Six business sectors, namely print media publishing, mobile digital publishing, film and TV entertainment production, lifestyle and innovative e-commerce, lifestyle and innovative marketing and lifestyle and art traveling, will be the development focus to promote the value of the Group's comprehensive resources in each sector, thereby providing clients with regional, national and international brand promotion services.

The Group will also utilise the advantages and resources of each media platform to cater for elite sub-groups and implement vertical industry chain integration from information to service. We aim at a comprehensive business model, incorporating assisted purchase on e-commerce, brand consultancy, online and offline activity and experience, creative advertisement and user added-value, to realise strategic upgrade. Leveraging the Group's dedicated scheme on print media and digital media, we are optimistic about the prospects of future development for the Group. It is expected that the mobile digital media business will continue to grow rapidly and make valuable contributions in terms of potential income and profit to the Group.

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

9 March 2015

Management Discussion and Analysis

RESULT SUMMARY

China's economic growth was gradually slowing as the economic structure transformation continues. The drivers of economic growth continued to shift from manufacturing to services on the supply side, and from investment to consumption on the demand side. China's gross domestic product ("GDP") growth decreased marginally from 7.8% in 2013 to 7.6% in 2014. The decrease was mainly due to the impacts of PRC's accelerating inflation, slowdown in export growth and sluggish property market. The slowdown in the economic growth in China inevitably had a negative impact on the advertising industry. The overall operating environment for both advertisers and media operators in the region remained challenging.

In recent years, the implementation of the government policies on economisation and anti-graft measures has hit the retail market, especially in luxury consumption. The brand advertisers became more cautious with their advertising spending and tightened their marketing budgets in the PRC market. However, the Company and its subsidiaries (the "Group") overcame the difficult economic situation and delivered a satisfactory financial result for 2014. For 2014, the Group's turnover amounted to approximately RMB603.8 million, which represented only a slight decrease of 4.3% as compared with that for 2013. The Group's three flagship weekly/bi-weekly magazines, the "Modern Weekly", "Modern Lady Weekly" and "Bloomberg Businessweek/China" recorded a decrease in the turnover when compared with that in 2013, which was primarily due to the overall sluggishness in the printed media industry, in which the advertising revenue dropped by 8.8% compared with that of 2013. However, the Group's three major Chinese digital media applications ("App"), namely the "iWeekly", "iBloomberg" and "iLady", achieved a revenue growth of 91.0%, 192.4% and 565.9%, respectively, in 2014. The Group's core print media segment remained the major profit contributor, while its digital media segment successfully achieved a significant revenue growth which resulted in the reversal of its loss situation, and TV business maintained a slight loss in 2014. On the other hand, the Group had successfully implemented cost saving measures and conducted tax planning in 2014. Consequently, the Group recorded a net profit of RMB37.8 million for 2014, with an increase of 13.9% as compared with that of 2013.

Starting from 2011, the Group had strategically structured its business into three business segments, namely print media, digital media and television. During the reporting period, the print media segment remained as the major income contributor of advertising revenue while the digital media segment have achieved a remarkable and continuous growth of 21.0% in 2013 and 126.8% in 2014. As at 31 December 2014, the segment results are as follows:

	Print Media RMB'000	Digital Media RMB'000	Television RMB'000
2014			
Segment revenue	492,395	93,850	10,837
Reportable segment profits/(losses)	37,286	17,430	(3,182)
Segment EBITDA	55,189	28,663	(901)
2013			
Segment revenue	582,939	41,381	12,083
Reportable segment profits/(losses)	78,771	(18,583)	(2,950)
Segment EBITDA	96,791	(8,536)	(526)

Regarding the segment results, the segment revenue for the print media in 2014 suffered an 15.5% decrease when compared with 2013. The segment earnings before interest, tax, depreciation and amortization ("EBITDA") and segment profit showed a downward trend accordingly. On the other hand, the digital media segment recorded a significant increase in segment revenue by 126.8%. The management of the Group believes that the digital media will continue its fast growing trend in the future. The TV segment revenue has recorded a decrease in 2014 by 10.3% when compared to that of 2013. However, the segment EBITDA had shown a healthy trend that this segment is likely to break-even or even become profitable in the near future.

Although the Group only delivered a fair financial performance for 2014, the Directors are proud that the Group has nevertheless achieved some strategic milestones.

(A) BUSINESS REVIEW

(i) Print Media

The overall printed media market in 2014 followed the downward trend in the past few years. The total advertising revenue of printed magazine category has decreased by 8.8% as compared with that of 2013, in which all of the four major categories recorded a decrease in the advertising spending: the cosmetics industry decreased by 6.8%, the fashion industry decreased by 3.9%, auto industry decreased by 11.2%, and the watch and jewelry industry decreased by 5.6%. The advertising market in the PRC experienced a lusterless performance given the stagnation in the general PRC market.

**Remarks:* Advertising information from the above paragraph is extracted from Advertising Expenditure Report of 2014 produced by Meihua Information.

Riding on 20 years of solid media practice and insight in the media industry, the Group maintained a strategic print portfolio of 6 weeklies/bi-weeklies and 7 monthly/bi-monthly in the PRC and Hong Kong, satisfying the diversified interest of the segmented elite class. In June 2014, the Group also launched another high-end men's lifestyle and business bi-monthly magazine, namely "The Good Life" (優仕生活) in both Hong Kong and the PRC market.

In 2014, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB492.4 million (2013: RMB582.9 million), which recorded a decrease of approximately 15.5% as compared to 2013.

Although the PRC advertising market of magazine category was quite challenging, our Group still made an effort to achieve a satisfactory performance in 2014. Our flagship magazine, "Modern Weekly", still ranked no. 1 in terms of revenue in the PRC weekly magazine market according to an 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 to survive. Furthermore, the issue of "The Art Newspaper", an international well-known art informative newspaper, is a good supplement to strengthen the contents of "Modern Weekly" and further attract new advertising clients including international auction houses and art galleries.

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, the Group has successfully organised a series of marketing events through the readers' club, namely "You Jia Hui" (優家薈), in 2014. Those marketing events were well-accepted by both the readers and members of "You Jia Hui" (優家薈). Moreover, the members of "You Jia Hui" (優家薈) have greatly increased in recent years and it is expected that the club membership fees will create an additional income stream for the Group in the coming future.

By comparing with 40 other business and financial magazines in the market, our flagship business magazine, "Bloomberg Businessweek/China" (Simplified Chinese edition), it ranked no. 5 in regard to the yearly advertising revenue, versus no. 7 in year 2013. On the other hand, as the operating result of "Bloomberg Businessweek/China" (Traditional Chinese edition) was not so satisfactory after its launch in mid 2013, the Group changed the publication cycle of his magazine into bi-weekly starting from March 2014 in order to achieve greater cost saving and content synergy between the 2 versions. In the latter half of 2014, the financial performance of "Bloomberg Businessweek/China" (Traditional Chinese edition) has shown gradual improvement.

The other monthly or bi-monthly magazines of the Group in the PRC and Hong Kong had been recorded different operating performances. The Group will continue to review such portfolio of magazines and target to attain its optimal operating result in 2015 and onwards.

(ii) Digital Media

By comparing to the stagnant advertising environment in printed media sector, the overall market sentiment of the digital sector was still optimistic. The advertising market of mobile digital category achieved a year-on-year increase of 121.9% in 2014. The total revenue contributed by the Group's digital media segment recorded an increase of 126.8% in 2014 when compared with that of 2013 which had outperformed the general market average. With the Group's strategy to expand the digital media segment, the Group has incurred capital expenditure of approximately RMB9.1 million to maintain and conduct major upgrades on existing Apps.

**Remark:* information in the above paragraph is extracted from Internet Advertising Market Report 2014 served by iResearch.

Up to the end of 2014, the number of "iWeekly" downloads on smartphone and tablet PC reached approximately 8.4 million and 3.3 million respectively, an increase by 16.7% and 6.5% from the year ended 2013. It continued to be recognised as one of the most successful Chinese media Apps on both Apple iOS and Android platforms. The advertising revenue of "iWeekly" in 2014 was increased by 91.0% when compared with that of 2013. "iWeekly" had undergone a revamp in both content and function. Regarding its content, we incorporated the selected contents from some of the famous international media brands which further differentiated iWeekly from other mass media platform to attract our elite reader, while for its functionality, a personalised media platform is made available to readers who have logged-in, from which such readers can subscribe for certain content from the applications powered by the Group.

"iBloomberg" has successfully enlarged its user base on smartphone and tablet PC by reaching approximately 3.4 million and 1.4 million respectively, an increase by 21.4% and 16.7% from the year ended 2013. Further, "iBloomberg" was awarded as one of the Best Apps for the year 2013 in Apple's AppStore, and the iPhone version maintained Top 2 in Newsstand Top Grossing List in AppStore. The advertising revenue of "iBloomberg" achieved an increase of 192.4% in 2014 which it has outperformed competitors in the market. "iBloomberg" has achieved its leading position and was well accepted by both the readers and advertisers.

"iLady" has already accumulated more than 3.3 million users on both smartphone and tablet PC as at the end of 2014 which represented an increase by 173.7% when compared with that of 2013. By offering the unprecedented "Ready-to-Buy" digital media experience to users, "iLady" was well-accepted by both the users and brand advertisers. "iLady" has recorded an increase in advertising revenue in the current year by 565.9% as compared to 2013. It proves that the advertisers appreciated the direct promotional solution provided by the App, as it effectively brings traffic to some advertisers' shopping platforms or their official websites. In addition, we have set up a special zone for "You Jia Hui" (優家薈) in "iLady", so as to make further efforts to attract the offline members to go online, which would help us further manage those users and generate new revenue stream through other business models such as e-commerce. We believe that "iLady" 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.

Metroer.com has jointly formed a consumption platform to serve elite women with "iLady" App, where comprehensive solutions are provided for targeted customers on behalf of brand clients. The number of registered users of Metroer.com was approximately 3 million as at the end of 2014. In addition, we saw strong growth of participants in the online cosmetic sample trial program run by Metroer.com, the accumulated number of participant users reached 2.73 million at the end of 2014. We believe that with the increasing trend of the number of participants, further cooperation with brands is made possible in the trial program, which may further stimulate our revenue increase.

Besides, there were two more important Apps in the digital platform of the Group, namely "iLohas" and "iArt", which had been accumulated the number of downloads on both smartphone and tablet PC by approximately 3.0 million and 2.0 million respectively as at the end of 2014. It is anticipated that those Apps will create additional advertising opportunities when the user base will be further enlarged in the future.

Given the expansion plan in progress, the Group's digital media business became profitable in the reporting period. The Group's management believes that by taking steps to better satisfy our subscribers' needs through improved functionality of our Apps, we may be able to generate considerable and diversified revenues in future. We are confident 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.

(iii) TV media

The TV media team created value-added series by focusing on the customised production for its brand advertisers. TV media had already achieved a revenue of RMB 10.8 million (2013: 12.1 million) in 2014 which represented a slightly decrease of approximately 10.3% when compared with that of 2013. The Group has reviewed the cost structure of TV segment and implemented some cost saving procedures so that the operating result is only recorded a slight loss in 2014. Looking forward, the Group's TV media will continue this business model and focus on customised production for advertisers in future. Hence, the Group believes that TV media may deliver better operating result in the future.

(B) BUSINESS OUTLOOK

Business outlook of Modern Media

Modern Media is positioned as a platform for the media of Chinese elite culture with trendy, high grading, internationalisation and social responsibility as the core corporate values and "High Taste, High Touch, High Tech" as its core competitiveness. We provide information, community and service to Chinese elite groups, and also provide integrated marketing solutions to high-end brands in China and abroad.

In planning our publications and other products and services, we take into account different interests, consumption and preference of our target elite groups (namely, modern female, business, cultural, art, creative, lohas and fashion). We plan to continue in providing brand dissemination services to our regional, national and international customers.

In 2015, the Group is planning to launch another monthly high-end lifestyle interior design magazine, namely "IDEAT", for both the PRC and Hong Kong market. "IDEAT" is another corporation with an international publishing house and it will further strength our printing magazine portfolio. The Group believes that the launch of the new magazine will not only bring in additional advertising revenue but will also enhance our market influences.

Riding on the success of our printed titles, the Group will extend the business scope by operating some concept stores in relating to the contents of our printed magazines. Taking the example of "Lohas", the Group operated a concept store in Shanghai, namely "Ri Zi" ("日子"), which is selling the healthy and environmental-friendly products. The products of "Ri Zi" ("日子") are well accepted by customers after the shop opening in the past few months. The Group will evaluate the business model of operating the concept stores and enlarge the retail operations targeting to different segment customers which will be related to our existing readers' portfolio in future.

In recent years, we expanded from print media to mobile and digital media. Currently, we publish a portfolio of 15 weekly/bi-weekly and monthly/bi-monthly magazines. Following the launch of various mobile digital products in 2013 and 2014 (such as iLady, iBloomberg and iLohas) and an upgraded platform of iSlate 2.0 (which supports micro-zine functions that include enhance community and personalized features), it is our plan to continue developing our online media platform of Chinese elite culture. This platform will continue to feature "Professional Generated Contents" and communities comprising key opinion leaders and small groups, and provide medium to high-end brands with scenarised, effective and measurable marketing solutions covering brand consulting, creative planning, advertising production and offline activities.

We have been taking steps to diversify our business model covering shopping guide e-commerce, brand consulting and other value-adding services so as to achieve strategic upgrade "from information to service" area, and to set up a community platform for users to share, communicate and shopping experience.

The management believes that above-mentioned strategies will ensure a sustainable and healthy development of Modern Media.

In light of the continuous growth of the digital and television businesses, we started to organised such businesses under one holding entity to streamline our business and group structure. We are exploring the possibility and opportunity to spin-off this new group, so long as such exercise is to the benefit and in the interest of the Group and its shareholders and is in compliance with the applicable laws, regulations and rules.

(C) FINAL DIVIDEND

The Directors proposed to declare a final dividend of HK$2.5 cents (2013: HK$5.0 cents) per share, amounting to approximately HK$11.0 million. Subject to the approval of the shareholders of the Company ("Shareholders") at the forthcoming annual general meeting ("AGM"), the proposed dividend will be payable to shareholders whose names appear on the Register of Members of the Company on 28 April and payable on 19 May 2015. This proposal is subject to Shareholders' approval at the AGM to be held.

(D) BOOK CLOSURE

The AGM of the Company is scheduled to be held on 21 April 2015. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 17 April 2015 to 21 April 2015 both days inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrars in Hong Kong, 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 16 April 2015.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the AGM. The record date for entitlement to the proposed final dividend is 28 April 2015. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 27 April 2015 to 28 April 2015, 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 share registrars in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on 24 April 2015. The payment of final dividend will be made on 19 May 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow from operating activities of approximately RMB23.2 million (2013: RMB83.2 million), the decrease in operating cashflow was largely attributable to the slowdown in collection of trade receivables. On the other hand, the Group's cash outflow from investing activities amounted to RMB38.2 million (2013: 83.6 million) which was mainly attributable to the investment in fixed assets of RMB34.2 million including the mortgage payment on acquisition of office premise in Hong Kong, and purchase of furniture, fixtures and equipment for the Digital Media operation. The cash outflow of the Group from financing activities amounted to RMB7.1 million (2013: RMB10.3 million) which was mainly owing to the payment of dividend of RMB17.2 million and the net proceeds of bank loans of RMB14.5 million.

Borrowings and gearing

As at 31 December 2014, the Group's outstanding borrowings was approximately RMB116.3 million (2013: RMB56.3 million). The total borrowings comprised secured bank and other loans of approximately RMB57.0 million (2013: RMB17.5 million) and other unsecured bank loan of approximately RMB59.3 million (2013: RMB38.8 million). The gearing ratio as at 31 December 2014 was 17.1% (31 December 2013: 9.0%), 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 2014, the total borrowings of the Group were repayable as follows:

	2014 RMB'000	2013 RMB'000
Within 1 year or on demand	68,026	46,791
After 1 year but within 2 years	4,772	2,010
After 2 years but within 5 years	13,608	6,971
After 5 years	29,938	500
	48,318	9,481
	116,344	56,272

CAPITAL EXPENDITURE

Capital expenditure of the Group for the year ended 31 December 2014 included expenditure on fixed assets and intangible assets of approximately RMB43.6 million (2013: RMB71.5 million). Major expenditure included the purchase of office premise for own use, purchase of furniture, fixtures and equipment, and payments for software development in progress.

DISPOSAL AND INVESTMENTS

In March 2014, the Group entered into an agreement to dispose 20% equity interest in Rakuraku Technologies Inc. ("Rakuraku") for a consideration of JPY45 million. The disposal of Rakuraku was completed before the end of March 2014 and, following which, the Group ceased to have any interest in Rakuraku.

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 2014, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2014, the Group's bank loans of RMB9.5 million was secured by mortgages over the Group's properties in Beijing, the PRC, guarantees from Shanghai Gezhi Advertising Co., Ltd. and Yazhimei Information Consultation (Shenzhen) Co., Ltd., the subsidiaries of the Group. The Group's bank loan of RMB28.9 million and loan from a developer of RMB14.5 million were secured by a mortgage over the Group's newly purchased property in Hong Kong, the loan from a developer was guaranteed by Mr. Shao, the controlling shareholder of the Company, and Ms. Zhong Yuanhong, a member of senior management of the Group. In addition, the Group's bank loan of RMB4.1 million was secured by pledged deposit of RMB1.0 million.

As at 31 December 2014, the Group's printing credit line in an amount of approximately HK$17.1 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 2014.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2014, the Group had a total of 1,059 staff (2013: 1,076 staff), and the Group's total staff costs (including Directors' remuneration) were approximately RMB215.5 million (2013: RMB211.7 million). The emoluments of the Directors and senior management are reviewed by the remuneration committee of the Board. The decrease in head counts was due to the restructuring of sales and editorial staff to further improve corporate efficiency.

To recognise and reward the contribution of eligible employees for 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"). 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 2014, 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 2014, no share was awarded and vested to selected employees, under the Plan, as approved by the Board.

Corporate Governance Report

The Company is committed to ensuring high standards of corporate governance in the interests of the shareholders of the Company ("Shareholders") and devotes considerable efforts to identifying and formalising 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 2014.

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 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 recognises its responsibility to act in the interests of the Company and its Shareholders as a whole. As at 31 December 2014, the Board has nine Directors: five executive Directors, one non-executive Director and three independent Non-executive Directors ("INEDs"). The INEDs represent one-third of the Board.

During the reporting period, Mr. Mao Xiaofeng, a then INED, tendered his resignation as an INED, chairman of the remuneration committee ("Remuneration Committee") of the Board, member of the nomination committee of the Board and member of the audit committee of the Board with effect from 31 July 2014 due to Mr. Mao's other business engagements ("Resignation").

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. Li Jian
Mr. Mok Chun Ho, Neil
Mr. Cui Jianfeng

Non-executive Director
Dr. Cheng Chi Kong

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

The biographies of all the Directors, including their relationships, are set out on pages 53 to 54 of this annual report. The Board is chaired by the Chairman, Mr. Shao Zhong. Mr. Wong Shing Fat, executive Director and chief executive officer of the Group, 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. One of the three INEDs, namely Mr. Au-Yeung Kwong Wah, has professional qualifications in accounting or related financial management expertise. 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.

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:

	Meetings attended	Meetings held during 2014
Mr. Shao Zhong	6	8
Mr. Wong Shing Fat	7	8
Mr. Li Jian	8	8
Mr. Mok Chun Ho, Neil	4	8
Mr. Cui Jianfeng	5	8
Dr. Cheng Chi Kong	0	8
Mr. Wang Shi	0	8
Mr. Jiang Nanchun	0	8
Mr. Au-Yeung Kwong Wah	3	8
Mr. Mao Xiaofeng (resigned on 31 July 2014)	0	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 INEDs). Out of the eight Board meetings held, one falls within such category of meeting.

2. During 2014, the Board has circulated and passed a written resolution on 3 occasions which are dated, 24 January 2014, 12 May 2014 and 13 May 2014, respectively, apart from the physical board meetings stated above.

3. During 2014, 3 out of 8 Board meetings were held to approve operational matters in relation to bank facilities, where the INEDs did not participate.

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 INEDs and Board committee members with formal letters of appointment. Each INED 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 INED, 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.

Particulars of Directors' participation in continuous professional development activities during the year are summarized as follows:

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:		
Shao Zhong	√	√
Wong Shing Fat	√	√
Li Jian	√	√
Mok Chun Ho, Neil	√	√
Cui Jianfeng	√	√
Non-executive Directors:		
Cheng Chi Kong	√	√
INEDs:		
Jiang Nanchun	√	√
Wang Shi	√	√
Au-Yeung Kwong Wah	√	√

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 9(a) to the financial statements of this Annual Report on page 114. The remuneration policy of the Group is set out on page 66 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 9(b) to the financial statements of this annual report on page 115.

Independence of the INEDs

The Board has received from each of the INEDs 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 INEDs 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

Mr. Shao is the Chairman of the Company and is mainly responsible for providing leadership and directions to the Board. Mr. Wong Shing Fat is the chief executive officer of the Group, and is responsible for overseeing the management of the Group's business with the assistance of the Group's senior management team.

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 Board 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 Board committee is appointed with written terms of reference and each member of the Board committee has a formal letter of appointment setting out key terms and conditions relating to his appointment. Each Board committee meets as frequently as required by business developments and the operation of the Group. Board committee members are provided with adequate and timely information before each meeting or discussion. All Board 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.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") in 2009 with written terms of reference. The Audit Committee currently comprises three INEDs, namely, Mr. Au-Yeung Kwong Wah (chairman of the Audit Committee), Mr. Wang Shi and Mr. Jiang Nanchun. Following the Resignation, Mr. Mao Xiaofeng ceased to be a member of the Audit Committee with effect from 31 July 2014.

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 financials 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); and

(e) to review the audit program of the internal audit function (if applicable).

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 chairman of the Audit Committee or at the request of the members of the management team of the Company to review significant internal control or financial issues. The chairman of the Audit Committee 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:

	Meetings attended	Meetings held during 2014
Mr. Au-Yeung Kwong Wah	3	3
Mr. Wang Shi	0	3
Mr. Jiang Nanchun	1	3
Mr. Mao Xiaofeng (resigned on 31 July 2014)	2	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 2014 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 2014.

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 2014.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in 2009 with written terms of reference. The Remuneration Committee currently comprises two INEDs, namely Mr. Au-Yeung Kwong Wah (chairman of the Remuneration Committee, who took over this position following Mr. Mao's Resignation) 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 provisions of the CG Code. The Remuneration Committee usually meets once a year and at such other time as is necessary. Any member of the Remuneration Committee 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:

	Meetings attended	Meetings held during 2014
Mr. Wong Shing Fat	1	2
Mr. Au-Yeung Kwong Wah	2	2
Mr. Jiang Nanchun	0	2
Mr. Mao Xiaofeng (resigned on 31 July 2014)	2	2

During the year ended 31 December 2014, the Remuneration Committee has performed the following works:

* reviewed and discussed the remuneration policy of the Group and the remuneration packages of the Directors; and

* determined the remuneration of the executive Directors and senior management of the Company.

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 2014 are set out in note 9 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 INEDs following Mr. Mao's Resignation, namely Mr. Wang Shi (chairman of the Nomination Committee), Mr. Au-Yeung Kwong Wah and Mr. Jiang Nanchun. The primary duties of the Nomination Committee includes reviewing the structure, size and composition of the Board, 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 provisions of the CG Code. Any member of the Nomination Committee may convene a meeting of the Nomination Committee. During the year, no Nomination Committee meeting was held.

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 recognises 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 future appointment of any member of the Board 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. During the year, the Board has reviewed and monitored the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management of the Group, 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 Governance 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 materialise. 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 2014.

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

PricewaterhouseCoopers ("PwC") was first appointed as the auditors of the Group in 2014 after the resignation of previous auditors, KPMG. During 2014, PwC provided the following audit and non-audit services to the Group:

	2014 HK$'000	2013 HK$'000
Audit services	2,246	2,170
Other non-audit services	442	526
Total	2,688	2,696

PwC will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in April 2015.

A statement by PwC 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 page 69.

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 governance 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 53 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 recognise their responsibility to act in the best interests of the Company and the 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 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 t 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, 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 Shareholder 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 AGM will be held on 21 April 2015 at 7/F., Global Trade Square, 21 Wong Chuk Hang, 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. There was no change in the Articles during the year under review. The latest Articles are available on the Stock Exchange's and Company's websites.

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.

Corporate Social Responsibility Report

In Modern Media, we are committed to fulfill corporate social responsibility. We always maintain our publications and mobile apps contents at the highest standard. On the other hand, we have continued to dedicate resources to a series of activities of charitable cause.

AWARDS ON PUBLICATIONS

The following awards were granted by the Society of Publishers in Asia in 2014:

Honourable Mention — Magazine Design “Bloomberg Businessweek (Traditional Chinese edition)”

Honourable Mention — Editorial Cartooning “Bloomberg Businessweek (Traditional Chinese edition)”

Honourable Mention — Magazine Design “LEAP”

Award for Excellence — Lifestyle Coverage “Life Magazine”

Award for Excellence — Feature Photography “The Outlook Magazine”

Corporate Social Responsibility Report *(continued)*

COMMITMENT TO CHARITIES

- ### Education

In recent years, Modern Media has lent continuous support to education projects in Mainland China with a view to bring transformation to the lives of future generations. Construction work of Modern Information Special Educational School in Songzi was completed in 2012, and construction work of the Modern Information Science Building in Central Primary School at Fucheng Street, Luoding was also completed in Oct 2013. This year, Modern Media continued to direct support towards the academic development of both schools through grant of funds and donations of teaching and learning materials.

- ### Earth Water Project

As the sole authorised media partner of "Earth Water" in China, our magazine "LOHAS樂活" had for the past three years adhered to the philosophy of "lifestyle of health and sustainability" and worked on a collaborative project called "Clean Water for Our Children", which lined up a charitable forces from almost 100 artists and celebrities and more than a dozen of brands. The Earth Water Project aimed to draw attention to its "water for water" scheme, which helped install clean water systems for 15 schools in Beijing, Yushu in Qinghai, Badong in Hubei and Yunan since 2011, benefitting nearly ten thousand teachers, students and children. In 2014, "LOHAS樂活" cooperated with other charitable organisations to host charity exhibitions in Beijing, Shanghai and Guangzhou for Earth Water. It also worked with charitable organisations from Earth Water to host a celebrity charity party called "You Never Drink Alone! Earth Water". Through these series of activities, Modern Media aimed to encourage participation in charity projects by Earth Water to supply clean water resources for children in need around the world.

PROMOTE AND SUPPORT WOMAN ENTREPRENEURS

During the year, "Modern Lady Weekly", the Group's publication targeting elite women, organised "The Spirit of New Woman Award 2014" in Shanghai and Beijing with great success. Partnering with Yuanshihui (a crowd-funding platform), EFG Entrepreneurship Foundation and Feimalv, tremendous effort had been made by Modern Media to present this event. Through some exciting competitions and objective and fair assessment by instructors and judges, 12 female entrepreneurs were selected and given opportunities to enroll in various business programmes and courses offered by Antai College of Economics & Management, Shanghai Jiao Tong University. They had also been invited to join a luncheon attended by certain star instructors to take in personal advice as well as to gain possible access to venture capital. Modern Media's objective in this event was to provide modern women with various resources required for business venturing and promote the spirit of originality and innovation.

Opening address by
Mr. Shao Zhong, chairman of
Modern Media Group

Some candidates, judges and advisers

Biographical Details of Directors & Senior Management

DIRECTORS

Mr. SHAO Zhong (邵忠), aged 54, 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 is responsible for the overall corporate strategies, policy-formulating and instilling corporate philosophy of our Group. 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 56, the chief executive officer of our Group responsible for the corporate and business planning and development a 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. 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 29 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. LI Jian (厲劍), aged 46, the chief operation officer of our Group responsible for the formulation and execution of the advertising sales strategies as well as the publication management of our Group. Mr. Li was appointed as an executive Director of our Group in July 2009. He joined our Group in May 1999 and took up various senior positions in Shanghai and Beijing offices and he was subsequently promoted to be the chief operation officer of our Group in July 2006. Mr. Li obtained his MBA degree from Murdoch University in Australia in March 2000 and his bachelor's degree in Applied Mathematics from the Faculty of Applied Mathematics of Lanzhou University in China in June 1992. He has over 14 years of experience in the marketing industry.

Mr. MOK Chun Ho, Neil (莫峻皓), aged 49, 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 21 years of experience in finance and accounting management through his previous financial positions with several listed and private companies in Hong Kong.

Mr. CUI Jianfeng (崔劍鋒), aged 42, was appointed as the chief investment officer and executive Director of our Group in July 2009. Mr. Cui was also promoted as the chief executive officer of digital media division of our Group in April 2013. Mr. Cui joined our Group in May 2008 and is responsible for the investment strategies and business management of our Group. Prior to joining our Group, he took up various senior positions in two reputable multinational companies. Mr. Cui's past working experience in multinational companies helps our Group in developing constructive investment and business finance systems. He obtained an MBA degree from the Deakin University in Australia in September 2003 and another MBA degree from the University of Western Ontario in Canada in October 2004 respectively and also the bachelor's degree of commerce (major in accountancy) from the University of Wollongong in Australia in October 1995. Mr. Cui is a member of CPA Australia. Mr. Cui has over 14 years of experience in finance and business management.

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

NON-EXECUTIVE DIRECTOR

Dr. CHENG Chi Kong (鄭志剛), aged 35, was appointed as the non-executive Director in April 2013. 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 China Land 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 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, chairman of China Young Leaders Foundation, the chairman of New World Group Charity Foundation Limited, the honorary chairman of K11 Art Foundation and a member of Board of the West Kowloon Cultural District Authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shi (王石), aged 63, 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 from1988 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 41, was appointed as the independent non-executive Director on in August 2009. Mr. Jiang has over 16 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 National Association of Securities Dealers Automated Quotations (NASDAQ)) and served as its chairman of the board of directors and the chief executive officer since May 2003. 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 50, 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.

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

SENIOR MANAGEMENT

Mr. Alain DEROCHE, aged 53, the vice president and the publishing controller of two Group's international titles, namely "Numero" and "Intersection". Mr. Deroche joined our Group in June 2008 and is responsible for the management of our Group's international copyright business and the planning and content innovation for the Magazines. Prior to joining our Group, Mr. Deroche served as the general manager in charge of publishing in Asia for two and a half years and the publishing controller for ELLE's international edition in the International Department of a French company called Hachette Filipacchi Medias Group for five years. Mr. Deroche obtained his doctoral degree in international enterprise management from Universite Paris-Dauphine (English translation: Paris Dauphine University) in France in October 1986. He has over 29 years of experience in international media management of the international media industry.

Ms. Amy YOUNG Ying (楊瑩), aged 40, was graduated in Shanghai Foreign Trade College, majored in Foreign Trade Economy and obtained her executive master of business administration degree from a course joinly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Young has more than 16 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Young worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Young 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. Young joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August, 2009, Ms. Young rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Ms. ZHONG Yuanhong (鍾遠紅), aged 43, 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.

Mr. CHING Siu Wai (程少偉), aged 49, 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 22 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 40, 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 16 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Ms. HUANG Wenhua (黃文樺), aged 44, 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 14 years of experience in the media industry.

Ms. YEH Shaway (葉曉薇), aged 46, 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.

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

Mr. LI Jian (李劍), aged 39, joined the Group in September 2011 as the deputy publisher for "Bloomberg Businessweek/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/China", "Bloomberg Businessweek" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek". 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 12 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.

Ms. MA Li (馬驪), aged 32, 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.

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 2014.

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 31 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 2014 are set out in the consolidated financial statements on pages 70 to 73.

Movements in the reserves of the Company and amounts available for distribution to Shareholders are disclosed in note 23(a) to the financial statements. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 74.

DIVIDEND

The Directors have declared a final dividend of HK2.5 cents (2013: HK5.0 cents) per share amounting to approximately HK$11.0 million, which represents approximately 22.9% of the net profit of 2014, 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 28 April 2015 and payable on 19 May 2015.

SHARE CAPITAL

Details of the movements in the authorised and issued share capital of the Company are set out in note 21 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 66.1% and 38.2% of the Group's total purchases for the year ended 31 December 2014 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 35.8% and 10.5% of the Group's total sales for the year ended 31 December 2014 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 2014 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 154.

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. Li Jian
Mr. Mok Chun Ho, Neil
Mr. Cui Jianfeng

Non-executive Director
Dr. Cheng Chi Kong

INEDs
Mr. Wang Shi
Mr. Jiang Nanchun
Mr. Au-Yeung Kwong Wah
Mr. Mao Xiaofeng (resigned on 31 July 2014)

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2014, the Directors and chief executive of the Company had the following interests 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 (Chapter 571 of the laws of Hong Kong) (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	274,034,000	62.53%
Wong Shing Fat	The Company	Beneficial owner	2,452,000	0.56%
Li Jian	The Company	Beneficial owner	3,336,000	0.76%
Mok Chun Ho, Neil	The Company	Beneficial owner	1,864,000	0.43%
Cui Jianfeng	The Company	Beneficial owner	2,312,000	0.53%

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	廣州摩登視頻傳媒有限公司 (Guangzhou Modern Video Media Co., Ltd.*, "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 Mobile Digital")	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%
Mr. Shao	每城美客（北京）網絡科技有限公司 (Linkchic (Beijing) Network Technology Co. Ltd.*, "Linkchic Beijing")	Interest of controlled corporations *(Note 13)*	100%
Mr. Shao	北京格意致移動科技有限公司 Beijing Geyizhi Mobile Technology Co. Ltd.*, "Beijing Geyizhi")	Interest of controlled corporations *(Note 14)*	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 Video 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 Video held by Guangzhou Mobile Digital of which is Mr. Shao's controlled corporation.

11. Guangzhou Mobile Digital 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 Mobile Digital 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.

13. Linkchic Beijing is held as to 100% by Guangzhou Mobile Digital, the equity interest of which 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 equity interest in Linkchic Beijing held by Shanghai Senyin, which is Mr. Shao's controlled corporation.

14. Beijing Geyizhi is held as to 100% by Guangzhou Mobile Digital, the equity interest of which 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 equity interest in Beijing Geyizhi held by Shanghai Senyin, which is Mr. Shao's controlled corporation.

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 2014, 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 2014
Madam Zhou Shao-min *(Note 1)*	Interest of spouse	274,034,000	62.53%
FIL Limited	Beneficial owner	34,948,000	7.98%
Harmony Master Fund *(Note 2)*	Beneficial owner	25,752,000	5.88%
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 2014, 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 o f 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 PLAN

Details of the Plan adopted by the Company and the relevant share awards made up to 31 December 2014 are set out in note 22 to the financial statements of this annual report on page 133.

SHARE OPTION SCHEME

A share option scheme ("Scheme") was conditionally adopted by a resolution in writing passed by the then sole Shareholder 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 2014.

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 2014.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Investment in online search services held by Mr. Shao Zhong

As at 31 December 2014, Mr. Shao Zhong ("Mr. Shao"), an executive Director and the controlling Shareholder, held about 10% 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 INEDs 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 INEDs) consider that the above non-competition undertakings were complied with and enforced during the year.

DIRECTORS' INTERESTS IN CONTRACTS

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).

CONNECTED TRANSACTIONS

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 Contractual 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 authorise 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.

The above Contractual Arrangements allow the Company to consolidate the financial results of the PRC Operational Entities into the Group's financial statements as if they were the Group's wholly-owned subsidiaries. The Directors consider that the Contractual 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 INEDs 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 2014 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the PRC Operational Entities has been substantially retained by Zhuhai Technology; (ii) no 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 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 PRC Operational Entities 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.

Contractual Arrangements in relation to Guangzhou Mobile Digital and SH Senyin

The following connected transaction ("2011 Arrangements") was entered into by the Group in September 2011.

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), 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 RMB 18,000,000 (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, 雅致美資訊諮詢（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 Mobile Digital", which was beneficially owned as to 95% by Mr. Shao, Guangzhou Mobile Digital 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, Guangzhou Mobile Digital, 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, Guangzhou Mobile Digital 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 authorised 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) ((a) to (e), collectively the "2011 Contractual Agreements").

During the year, the Group has entered into certain related party transactions as disclosed in Note 30 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.

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

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 contractual arrangements and 2011 Contractual Agreements have complied with the reporting and announcement requirements during the year. The Continuing Connected Transactions have been reviewed by the INEDs. The INEDs 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; and

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 2014, the Group had around 1,059 employees (2013: 1076). 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 note 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 2014 were RMB38.2 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 2014, 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 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 2014, 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 Directors are of the opinion that the Company had complied with the code provisions set out in the CG Code throughout the year of 2014. The Group also adhered to the recommended best practices of the CG Code insofar as they are relevant and practicable during the same year.

AUDIT COMMITTEE

The Company established the 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 Audit Committee has three members of INEDs, namely, Mr. Au-Yeung Kwong Wah, Mr. Wang Shi and Mr. Jiang Nanchun.

During the year, the Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed the year end closing and internal audit process, internal control and financial reporting matters for the year ended 31 December 2014 with management, the internal auditor and the external auditor. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2014.

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 2014, the amount of public float as required under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2012 and 2013 were audited by KPMG who resigned as auditors on 20 May 2014, following the annual general meeting of the Company in 2014 ("2014 AGM"). PricewaterhouseCoopers ("PwC") has been appointed, as the auditor of the Company with effect from the close of the 2014 AGM. Save as disclosed above, there were no other changes in auditors of the Company during the past three years.

The consolidated financial statements for the year ended 31 December 2014 have been audited by PwC, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PwC as auditors of the Company is to be proposed at the forth coming Annual General Meeting.

On behalf of the Board
Shao Zhong
Chairman

Hong Kong, 9 March 2015

Independent Auditor's Report

pwc

羅兵咸永道

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MODERN MEDIA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 70 to 153, which comprise the consolidated and company balance sheets as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to 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.

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9 March 2015

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Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

Year ended 31 December 2014 HK$'000		Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
765,378	Revenue	5	603,801	631,180
(340,024)	Cost of sales	8	(268,242)	(279,054)
425,354	**Gross profit**		335,559	352,126
(191,093)	Distribution expenses	8	(150,752)	(156,259)
(176,927)	Administrative expenses	8	(139,576)	(146,815)
8,085	Other income	6	6,378	3,305
(1,651)	Other (losses)/gains — net	7	(1,302)	353
63,768	**Operating profit**		50,307	52,710
1,024	Finance income		808	757
(5,604)	Finance expenses		(4,421)	(2,456)
(4,580)	Finance expenses — net	10	(3,613)	(1,699)
(840)	Share of (losses)/profits of investments accounted for using the equity method	11	(663)	421
(985)	Losses on disposal of an associate	11(a)	(777)	–
57,363	**Profit before income tax**		45,254	51,432
(9,457)	Income tax expense	12	(7,461)	(18,245)
47,906	**Profit for the year**		37,793	33,187
	Other comprehensive income			
	Items that may be subsequently reclassified to profit or loss			
	Exchange differences on translation of financial statements of:			
(1,397)	— overseas subsidiaries		(1,102)	(2,296)
368	— an overseas associate	11(a)	290	(240)
46,877	**Total comprehensive income for the year**		36,981	30,651
47,906	**Profit attributable to equity holders of the Company**		37,793	33,187
46,877	**Total comprehensive income attributable to equity holders of the Company**		36,981	30,651
	Earnings per share attributable to the equity holders of the Company for the year (expressed in RMB per share)			
HK$0.1099	Basic earnings per share	13(a)	RMB0.0867	RMB0.0763
HK$0.1099	Diluted earnings per share	13(b)	RMB0.0867	RMB0.0762
10,955	Final dividend proposed after the end of the financial year	23(b)	8,642	17,319
21,876	Final dividend paid in respect of the previous financial year	23(b)	17,258	19,168

The notes on pages 76 to 153 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

As at 31 December 2014 HK$'000		Note	As at 31 December 2014 RMB'000	2013 RMB'000
	ASSETS			
	Non-current assets			
268,949	Property, plant and equipment	14	212,172	154,776
29,724	Intangible assets	15	23,449	24,334
38,069	Goodwill	16	30,032	30,032
4,323	Software development in progress	17	3,410	2,577
5,101	Interests in associates	11	4,024	7,517
1,602	Interest in a joint venture	11	1,264	1,625
10,344	Available-for-sale financial assets	18	8,160	8,160
5,013	Deferred income tax assets	26	3,955	5,208
363,125			286,466	234,229
	Current assets			
359,889	Trade and other receivables	19	283,914	258,890
49	Inventories		39	–
1,318	Restricted cash	20	1,040	2,440
132,291	Cash and cash equivalents	20	104,363	126,290
493,547			389,356	387,620
856,672	**Total assets**		675,822	621,849
	EQUITY AND LIABILITIES			
	Equity attributable to owners of the Company			
4,882	Share capital	21	3,851	3,848
233,408	Reserves	23	184,134	179,459
	Retained earnings			
10,955	— Proposed final dividends	23	8,642	17,319
332,074	— Others		261,971	237,958
581,319	**Total equity**		458,598	438,584

The notes on pages 76 to 153 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet *(continued)*

As at 31 December 2014

As at 31 December 2014 HK$'000		Note	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
	LIABILITIES			
	Non-current liabilities			
61,248	Borrowings	25	48,318	9,481
1,126	Deferred income tax liabilities	26	888	2,339
62,374			49,206	11,820
	Current liabilities			
110,487	Trade and other payables	24	87,163	98,972
–	Amounts due to related parties		–	85
16,262	Current income tax liabilities		12,829	25,597
86,230	Borrowings	25	68,026	46,791
212,979			168,018	171,445
275,353	**Total liabilities**		217,224	183,265
856,672	**Total equity and liabilities**		675,822	621,849
280,568	**Net current assets**		221,338	216,175
643,693	**Total assets less current liabilities**		507,804	450,404

The notes on pages 76 to 153 are an integral part of these consolidated financial statements.

The financial statements on pages 70 to 153 were approved by the Board of Directors on 9 March 2015 and were signed on its behalf.

Shao Zhong
Director

Wong Shing Fat
Director

Balance Sheet

As at 31 December 2014

As at 31 December 2014 HK$'000		Note	As at 31 December 2014 RMB'000	As at 31 December 2013 RMB'000
	ASSETS			
	Non-current assets			
11,161	Investments in subsidiaries	31	8,805	8,805
	Current assets			
10,282	Other receivables and prepayments	19	8,111	8,073
190,917	Amounts due from subsidiaries	19	150,613	162,513
349	Cash and cash equivalents	20	275	160
201,548			158,999	170,746
212,709	**Total assets**		167,804	179,551
	EQUITY AND LIABILITIES			
	Equity attributable to owners of the Company			
4,882	Share capital	21	3,851	3,848
168,881	Reserves	23	133,229	133,588
	Retained earnings			
10,954	— Proposed final dividends	23	8,642	17,319
1,950	— Others		1,538	3,565
186,667	**Total equity**		147,260	158,320
	LIABILITIES			
	Current liabilities			
284	Other payables	24	224	855
19,999	Borrowings	25	15,777	15,821
5,759	Amounts due to subsidiaries		4,543	4,555
26,042			20,544	21,231
212,709	**Total equity and liabilities**		167,804	179,551
175,506	**Net current assets**		138,455	149,515
186,667	**Total assets less current liabilities**		147,260	158,320

The notes on pages 76 to 153 are an integral part of these consolidated financial statements.

The financial statements on pages 70 to 153 were approved by the Board of Directors on 9 March 2015 and were signed on its behalf.

Shao Zhong
Director

Wong Shing Fat
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Share capital (Note 21) RMB'000	Shares held for Share Award Scheme (Note 22) RMB'000	Employee share-based compensation reserve (Note 22) RMB'000	Share premium (Note 23) RMB'000	Other reserves (Note 23) RMB'000	Statutory surplus and general reserves (Note 23) RMB'000	Currency exchange differences (Note 23) RMB'000	Retained earnings (Note 23) RMB'000	Total RMB'000
As at 1 January 2013	3,848	(6,124)	–	144,357	4,259	37,465	(2,447)	238,908	420,266
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	33,187	33,187
Other comprehensive income									
Currency translation differences	–	–	–	–	–	–	(2,536)	–	(2,536)
Total comprehensive income	–	–	–	–	–	–	(2,536)	33,187	30,651
Share award scheme (Note 22(a)):	–	3,616	–	–	–	–	–	2,350	5,966
– Vested	–	3,384	–	–	–	–	–	2,350	5,734
– Dividends reinvested to the scheme	–	232	–	–	–	–	–	–	232
Employees share-based compensation (Note 22(b))	–	–	869	–	–	–	–	–	869
Dividends relating to 2012	–	–	–	–	–	–	–	(19,168)	(19,168)
Total transactions with owners, recognised directly in equity	–	3,616	869	–	–	–	–	(16,818)	(12,333)
As at 31 December 2013	3,848	(2,508)	869	144,357	4,259	37,465	(4,983)	255,277	438,584
As at 1 January 2014	3,848	(2,508)	869	144,357	4,259	37,465	(4,983)	255,277	438,584
Comprehensive income									
Profit for the year	–	–	–	–	–	–	–	37,793	37,793
Other comprehensive income									
Currency translation differences	–	–	–	–	–	–	(812)	–	(812)
Total comprehensive income	–	–	–	–	–	–	(812)	37,793	36,981
Share award scheme (Note 22(a)):	–	–	–	–	–	–	–	–	–
– Dividends reinvested to the scheme	–	88	–	–	–	–	–	–	88
Employees share-based compensation (Note 22(b))	3	–	(488)	688	–	–	–	–	203
Dividends relating to 2013	–	–	–	–	–	–	–	(17,258)	(17,258)
Appropriation to surplus reserves	–	–	–	–	–	5,199	–	(5,199)	–
Total transactions with owners, recognised directly in equity	3	88	(488)	688	–	5,199	–	(22,457)	(16,967)
As at 31 December 2014	3,851	(2,420)	381	145,045	4,259	42,664	(5,795)	270,613	458,598

The notes on pages 76 to 153 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

Year ended 31 December 2014 HK$'000		Note	Year ended 31 December 2014 RMB'000	2013 RMB'000
	Cash flow from operating activities			
55,261	Cash generated from operations	27(a)	43,595	107,236
(25,893)	Income tax paid		(20,427)	(24,017)
29,368	**Net cash generated from operating activities**		23,168	83,219
	Cash flow from investing activities			
1,024	Interests received		808	757
(43,385)	Purchases of property, plant and equipment		(34,226)	(62,361)
(350)	Purchases of intangible assets		(276)	–
(11,507)	Payments for software development in progress	17	(9,078)	(9,158)
601	Proceeds from disposal of property, plant and equipment	27(b)	474	7
–	Payments for an unlisted equity investment	18	–	(8,160)
1,775	Decrease in pledged deposits	20	1,400	920
3,428	Net proceeds on disposal of an associate	11(a)	2,704	–
–	Acquisition of a subsidiary		–	(5,578)
(48,414)	**Net cash used in investing activities**		(38,194)	(83,573)
	Cash flows from financing activities			
(146,439)	Repayments of borrowings		(115,525)	(27,748)
164,761	Proceeds from borrowings		129,979	38,821
(21,765)	Dividends paid to equity holders		(17,170)	(18,936)
(5,604)	Interests paid		(4,421)	(2,456)
(9,047)	**Net cash used in financing activities**		(7,137)	(10,319)
(28,093)	**Net decrease in cash and cash equivalents**		(22,163)	(10,673)
160,085	Cash and cash equivalents at beginning of year	20	126,290	137,140
299	Exchange gains/(losses)		236	(177)
132,291	**Cash and cash equivalents at end of year**	20	104,363	126,290

The notes on pages 76 to 153 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

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 A, B & C, 10/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 7F, Global Trade Square, No 21 Wong Chuk Hang Road, Hong Kong, respectively; and its registered office is at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, 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 and provision of advertising-related services.

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 International Financial Reporting Standards ("IFRS") under the historical cost convention, except that certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise 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 these financial statements are presented in RMB. The translation into Hong Kong dollars ("HKD") of these financial statements as of, and for the year ended 31 December 2014 is for convenience only and has been made at the rate of HK$1.2676 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HKD 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

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

- Amendment to IAS 32, "Financial instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a material impact on the consolidated financial statements.

- Amendment to IAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in IAS 36 by the issue of IFRS 13.

- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions". The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The adoption of this new standard has no material impact on the consolidated financial statements.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

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

- Amendment to IAS 19 regarding defined benefit plans: employee contributions, effective for the annual period beginning on or after 1 July 2014.

- Some amendments included in Annual Improvements 2012 and 2013 are effective for the annual period beginning on or after 1 July 2014, including:

  — Amendments to IFRS 8 "Operating segments"

  — Amendments to IAS 16 "Property, plant and equipment" and Amendments to IAS 38 "Intangible assets"

  — Amendments to IAS 24 "Related Party Disclosures"

  — Amendments to IFRS 3 "Business combinations"

  — Amendment to IFRS 13 "Fair value measurement"

  — IAS 40 "Investment property"

- IFRS 14 "Regulatory Deferral Accounts", effective for the accounting period beginning on or after 1 January 2016.

- Amendment to IFRS 11 on accounting for acquisitions of interests in joint operation, effective for the accounting period beginning on or after 1 January 2016.

- Amendments to IAS 16 and IAS 38 on clarification of acceptable methods of depreciation and amortisation, effective for the accounting period beginning on or after 1 January 2016.

- Amendments to IFRS 10 and IAS 28 on sale or contribution of assets between an investor and its associate or joint venture, effective for the accounting period beginning on or after 1 January 2016.

- Amendment to IAS 27 on the equity method, effective for the accounting period beginning on or after 1 January 2016.

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)

- Some amendments included in Annual Improvements 2014 which are effective for the accounting period on or after 1 January 2016, including:
  - Amendments to IFRS 5 "Non-current assets held for sale and discontinued operations"
  - Amendments to IFRS 7 "Financial instruments: Disclosures"
  - Amendments to IAS 19 "Employee benefits"
  - Amendments to IAS 34 "Interim financial reporting"
- Amendments to IAS 16 and IAS 41 on Agriculture "bearer plants", effective for the accounting period on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 on investment entities "applying the consolidation exception", effective for the accounting period on or after 1 January 2016.
- IAS 15 "Revenue from Contracts with Customers", effective for the accounting period beginning on or after 1 January 2017.
- IFRS 9 "Financial Instruments" replace the whole of IAS 39, effective for the accounting period beginning on or after 1 January 2018.

Management anticipates that the adoption of these new standards, amendments to standards and interpretation to standards will not result in a significant impact on the results and financial position of the Group.

(c) New Hong Kong Companies Ordinance

The requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3 March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance Cap. 622. So far the Group has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated financial statements will be affected.

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 IFRS.

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 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

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 statement of comprehensive income (Note 2.8).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

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.

2.3 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 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 equity method" in the statement of comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

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 interest in associates are recognised in the statement of comprehensive income.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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's functional and the Group's presentation currency.

(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 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 statement of comprehensive income within "finance income or expenses". All other foreign exchange gains and losses are presented in the 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 balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(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 interest 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.

2.7 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

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 statement of comprehensive income.

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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

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

- 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.

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 five 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.10 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 balance sheet (Notes 19 and 20).

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(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.

Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Group's right to receive payments is established.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

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

(i) Assets carried at amortised cost (continued)

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.

(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, a significant or prolonged decline in the fair value of the security 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 goods held in a retail store of the Group and stated at the lower of cost and net realisable value. Cost 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade and other receivables

Trade receivables are amounts due from customers for magazines and periodicals 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.

2.14 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. Accounts payable 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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 balance sheet 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(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 balance sheet 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.

(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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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. 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. 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

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

(i) Equity-settled share-based payment (continued)

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Provisions and contingent liabilities *(continued)*

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.

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 balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

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

TV production, sponsorship, event and service income is recognised when the relevant services are provided to customers.

(d) 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.

(e) 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 value 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.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow interest risk and fair value interest 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 2014 and 2013.

(a) Market risk

(i) Foreign exchange risk

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

As most of the Group's monetary assets and liabilities are denominated in RMB and the Group conducts its business transactions principally in RMB and Hong Kong dollars, the exchange rate risk of the Group is not significant.

The Group has not entered into any financial instruments for hedging purpose for the years ended 31 December 2014 and 2013.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

As at 31 December 2014 and 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

As at 31 December 2014	HKD RMB'000	Others RMB'000	Total RMB'000
Cash and cash equivalents	6,569	405	6,974
Trade and other receivables	12,505	2,733	15,238
Trade and other payables	(2,249)	(1,845)	(4,094)
Borrowings	(59,164)	–	(59,164)
	(42,339)	1,293	(41,046)

As at 31 December 2013	HKD RMB'000	Others RMB'000	Total RMB'000
Cash and cash equivalents	8,987	1,481	10,468
Trade and other receivables	15,324	3,193	18,517
Trade and other payables	(11,643)	(3,592)	(15,235)
Borrowings	(15,821)	–	(15,821)
	(3,153)	1,082	(2,071)

As at 31 December 2014, 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 RMB182,000 (2013: RMB176,000) lower/higher as a result of foreign exchange difference on translation of HKD denominated assets and liabilities stated above.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents and restricted cash, 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 25.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk (continued)

As at 31 December 2014, 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 RMB218,000 (2013: RMB120,000) 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, restricted cash, trade and other receivables included in the consolidated balance sheet 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 to recoverability problem.

The Group's deposits and cash are placed with major financial institutions in Hong Kong, Taiwan and the PRC that are high-credit quality and meet the established credit rating or other 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 ageing analysis. Management makes periodic collective 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.

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

	As at 31 December	
	2014	2013
From the Group's largest customer	11%	15%
From the Group's five largest customers	36%	34%

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.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(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 analyses the Group's and the Company's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Total contractual undiscounted cash flow 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 2014					
Trade and other payables	46,091	46,091	–	–	–
Borrowings	129,652	72,143	6,384	17,028	34,097
	175,743	118,234	6,384	17,028	34,097
As at 31 December 2013					
Trade and other payables	49,997	49,997	–	–	–
Amounts due to an associate	85	85	–	–	–
Borrowings	59,106	48,092	2,628	7,880	506
	109,188	98,174	2,628	7,880	506

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

Company	Total contractual undiscounted cash flow 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 2014					
Amounts due to subsidiaries	4,543	4,543	–	–	–
Borrowings	16,265	16,265	–	–	–
	20,808	20,808	–	–	–
As at 31 December 2013					
Amounts due to subsidiaries	4,555	4,555	–	–	–
Borrowings	16,307	16,307	–	–	–
	20,862	20,862	–	–	–

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 balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management *(continued)*

The gearing ratios as at 31 December 2014 and 2013 are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Total borrowings (Note 25)	116,344	56,272
Less: Cash and cash equivalents (Note 20)	(104,363)	(126,290)
Net debt	11,981	(70,018)
Total equity	458,598	438,584
Total capital	470,579	368,566
Gearing ratio	2.55%	–19.00%

The increase in gearing ratio during the year ended 31 December 2014 was mainly due to the increase in the secured borrowings of RMB45,618,000 for the acquisition of properties (Note 25).

3.3 Fair value estimation

(a) The financial instruments that are measured at fair value required disclosure of fair value measurements by level of the following fair value measurements hierarchy:

- 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).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2014 and 2013.

As at 31 December 2014	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets — unlisted equity investments	–	–	8,160	8,160

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(a) *(continued)*

As at 31 December 2013	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets — unlisted equity investments	–	–	8,160	8,160

Except for unlisted equity investments, the Group does not have other financial assets or liabilities that are measured at fair value for the year ended 31 December 2014 and 2013.

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.

4.1 Critical accounting estimates and assumptions

The 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) Current and deferred income taxes

The Group is subject to income taxes in different areas in the PRC and Hong Kong. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(b) Useful lives and residue value of property, plant and equipment and intangible assets

Items of property, plant and equipment and intangible assets are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residue value of the assets at each balance sheet date in order to determine the amount of depreciation and amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) 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.

(d) Impairment assessment of goodwill

The Group tested annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 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.

(e) Impairment of non-financial assets except for goodwill

Non-financial assets including property, plant and equipment, intangible assets, software development in progress and interests in associates and joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and the future cash flow projections, it may be necessary to take an impairment charge to the consolidated statements of comprehensive income.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.2 Critical judgement in applying the Company's accounting policies

(a) Consolidation of PRC Operational Entities under contractual arrangements

As stated in Note 31, the Group has been conducting its operations in certain restricted industries through entities ("PRC Operational Entities") which are held by Mr. Shao Zhong ("Mr. Shao"), an executive director/controlling shareholder of the Group. Based on the 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, these PRC Operational Entities are regarded as subsidiaries of the Group; and their financial results and positions are consolidated into the Group.

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, losses on disposal of an associate and other unallocated head office and corporate expense which is consistent with that in the consolidated financial statements.

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 jointly controlled entities are not considered to be segment assets but rather are managed by the treasury function.

5 SEGMENT INFORMATION *(continued)*

The Group has three (2013: three) reportable segments as described below, which are the Group's strategic business units. 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: this segment engages in the sale of advertising space in, the publication of and the distribution of the Group's magazines and periodicals.
- Digital media: this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces.
- Television: this segment engages in the production of customised contents for brand advertisers.

(a) Revenue

The revenue by segment for the years ended 31 December 2014 and 2013 are set out as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Reportable segment revenue from external customers:		
— Print media	**492,395**	582,939
— Digital media	**93,850**	41,381
— Television	**10,837**	12,083
	597,082	636,403
Revenue derived from other operations (i)	**23,732**	16,179
Less: sales taxes and other surcharges	**(17,013)**	(21,402)
	603,801	631,180

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

5 SEGMENT INFORMATION (continued)

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2014 and 2013 are set out as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Print media	55,189	96,791
Digital media	28,663	(8,536)
Television	(901)	(526)
	82,951	87,729
Other revenue	23,732	16,179
Depreciation	(18,894)	(19,907)
Amortisation	(8,910)	(8,885)
Finance expenses — net	(3,613)	(1,699)
Share of (losses)/profits of investments accounted for using equity method	(663)	421
Losses on disposal of an associate	(777)	–
Unallocated head office and corporate expenses	(28,572)	(22,406)
Profit before tax	45,254	51,432

	Year ended 31 December 2014		
Business segment	Depreciation RMB'000	Amortisation RMB'000	Finance expenses — net RMB'000
Print media	14,913	36	2,954
Digital media	1,876	8,698	659
Television	2,105	176	–
	18,894	8,910	3,613

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2014

5 SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA *(continued)*

	Year ended 31 December 2013		
Business segment	Depreciation RMB'000	Amortisation RMB'000	Finance expense — net RMB'000
Print media	15,714	607	1,699
Digital media	1,769	8,278	–
Television	2,424	–	–
	19,907	8,885	1,699

(c) Total assets

	As at 31 December	
Business segment	**2014 RMB'000**	2013 RMB'000
Print media	**332,525**	240,451
Digital media	**128,960**	112,019
Television	**18,673**	16,303
	480,158	368,773
Corporate and unallocated assets	**6,111**	8,193
Interest in associates	**4,024**	7,517
Interest in a joint venture	**1,264**	1,625
Available-for-sale financial assets	**8,160**	8,160
Non-current prepayments	**–**	29,258
Deferred income tax assets	**3,955**	5,208
Trade and other receivables	**66,747**	64,385
Cash and deposits	**105,403**	128,730
Total assets	**675,822**	621,849

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 2014 and 2013.

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.

Compared to the geographic information as at 31 December 2013, the main change was that the Group disposed of its equity interest in an associate located in Japan (Note 11).

Specified non-current assets by geographical location as at 31 December 2014 and 2013 are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Hong Kong	146,782	17,826
The PRC	135,102	177,551
Taiwan	627	1,195
Japan	–	3,191
	282,511	199,763

Revenue by geographical location for the year ended 31 December 2014 and 2013 is as follows:

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
The PRC	545,319	590,076
Hong Kong	58,482	41,104
	603,801	631,180

6 OTHER INCOME

Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
PRC government grants	6,371	3,262
Others	7	43
	6,378	3,305

PRC government grants represented the amounts received by various subsidiaries of the Group as incentives for their development in new media industry which was supported by local government.

7 OTHER (LOSSES)/GAINS — NET

Group

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Losses on disposal of property, plant and equipment — net (Note 27)	(1,162)	(79)
Exchange (losses)/gains	(140)	432
	(1,302)	353

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

8 EXPENSES BY NATURE

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Employee benefit expenses (Note 9)	215,460	211,751
Advertising production expenses	74,739	73,575
Printing costs of magazines and periodicals	62,828	73,529
Marketing and promotion expenses	61,375	72,847
Office rental costs	31,847	30,636
License fee (Note 29(c))	25,452	24,137
Travelling and communication expenses	23,419	25,831
Depreciation (Note 14)	20,540	20,482
Office expenses including utility costs	19,742	24,089
Amortisation (Note 15)	9,442	8,942
Consultation expenses	5,788	6,022
Auditor's remuneration		
— Audit services	1,780	1,776
— Non-audit services	350	445
Stamp duties and other taxes	1,077	766
(Reversal of)/Provision for impairment of receivables (Note 19)	(362)	124
Other expenses	5,093	7,176
Total cost of sales, distribution and administrative expenses	558,570	582,128

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries, bonus and allowances	**185,098**	178,092
Social security costs	**38,187**	34,344
Employee share-based compensation (Note 22)	**203**	6,603
	223,488	219,039
Less: amount capitalised to software development in progress (Note 17)	**(8,028)**	(7,288)
	215,460	211,751

(a) Directors' and chief executives' emoluments

The total remuneration of directors and the chief executives for the years ended 31 December 2014 and 2013 is set out as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Directors		
Directors' fees	**732**	743
Salaries and allowances	**10,847**	8,305
Discretionary bonuses and allowances	**2,132**	4,979
Social security costs	**571**	274
	14,282	14,301

(i) No individual has waived or agreed to waive any emoluments.

(ii) The Company has not granted any shares under its share award scheme adopted on 24 August 2009 during the years ended 31 December 2014 and 2013.

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

(a) Directors' and chief executives' emoluments *(continued)*

(iii) The remuneration of every director and chief executive for the years ended 31 December 2014 and 2013 is set out as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security costs RMB'000	Total RMB'000
Year ended 31 December 2014					
Executive Directors					
SHAO Zhong	–	3,030	–	74	3,104
WONG Shing Fat*	–	3,552	634	256	4,442
LI Jian	–	1,654	634	74	2,362
MOK Chun Ho, Neil	–	1,349	432	95	1,876
CUI Jianfeng	–	1,262	432	72	1,766
Non-executive Director					
CHENG Chi Kong	181	–	–	–	181
Independent non-executive Directors					
MAO Xiaofeng**	77	–	–	–	77
JIANG Nanchun	132	–	–	–	132
WANG Shi	132	–	–	–	132
AU-YEUNG Kwong Wah	210	–	–	–	210
Total	732	10,847	2,132	571	14,282

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

(a) Directors' and chief executives' emoluments *(continued)*

(iii) *(continued)*

	Fees RMB'000	Salaries and allowances RMB'000	Discretionary bonuses RMB'000	Social security costs RMB'000	Total RMB'000
Year ended 31 December 2013					
Executive Directors					
SHAO Zhong	–	2,483	–	72	2,555
WONG Shing Fat*	–	2,493	1,649	79	4,221
LI Jian	–	1,287	1,551	72	2,910
MOK Chun Ho, Neil	–	1,115	716	39	1,870
CUI Jianfeng	–	927	1,063	12	2,002
Non-executive Director					
CHENG Chi Kong	137	–	–	–	137
Independent non-executive Directors					
MAO Xiaofeng	132	–	–	–	132
JIANG Nanchun	132	–	–	–	132
WANG Shi	132	–	–	–	132
AU-YEUNG Kwong Wah	210	–	–	–	210
Total	743	8,305	4,979	274	14,301

* WONG Shing Fat is the chief executive of the Group.

** MAO Xiaofeng resigned on 31 July 2014.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2014 include three (2013: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining two (2013: one) individuals during the year are as follows:

	Year ended 31 December 2014 RMB'000	2013 RMB'000
Salaries and allowances	4,128	2,820
Discretionary bonuses	–	84
	4,128	2,904

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

(b) Five highest paid individuals *(continued)*

The emoluments fell within the following bands:

	Year ended 31 December	
	2014	2013
Emolument bands:		
RMB1,500,001 to RMB2,500,000	**1**	–
RMB2,500,001 to RMB3,000,000	**1**	1
	2	1

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	
	2014 RMB'000	2013 RMB'000
Finance income:		
Interest income derived from bank deposits	**808**	757
Finance expenses:		
— Interest expense on borrowings wholly repayable within 5 years	**(2,650)**	(1,580)
— Interest expense on borrowings wholly repayable after 5 years	**(1,771)**	(876)
	(4,421)	(2,456)
Finance expenses — net	**(3,613)**	(1,699)

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheet are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Carrying amounts of		
— Associates	4,024	7,517
— A joint venture	1,264	1,625
	5,288	9,142

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

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Share of (losses)/profits of		
— Associates	(302)	48
— A joint venture	(361)	373
	(663)	421

(a) Investments in associates — Group

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
At 1 January	7,517	7,709
Disposal of an associate	(3,481)	–
Share of (losses)/profits	(302)	48
Other comprehensive income	290	(240)
At 31 December	4,024	7,517

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

(a) Investments in associates — Group *(continued)*

The particulars of the associates of the Group, all of which are unlisted, are 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 2014	2013	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 Chongqing Yubao; provision of advertising, publication and media service
Rakuraku Technologies Inc. ("Rakuraku")	Koshigaya, Japan	JPY30,500,000	–	20%	Developing computer programmes and applications over mobile digital platforms

On 25 March 2014, the Group entered into share transfer agreements with Rakuraku and Mr. Xu Lele ("Mr. Xu"), being the controlling shareholder of Rakuraku and an independent third party, to dispose of all the Group's 20% equity interest in Rakuraku to Mr. Xu for an aggregate consideration of JPY45,000,000 (equivalent to RMB2,704,000). A loss of RMB777,000 was recognised in the year ended 31 December 2014.

As at 31 December 2014, an impairment test was performed by comparing the attributable carrying amount of the investments in associates with the recoverable amount. The recoverable amount is based on estimated discounted cash flow. No impairment was recorded.

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

(a) Investments in associates — Group *(continued)*

Set out below is the summarised financial information for Chongqing Yubao which is accounted for using the equity method.

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Current assets		
Cash and cash equivalents	**1,622**	2,076
Other current assets (excluding cash)	**10,480**	10,863
Total current assets	**12,102**	12,939
Current liabilities	**(2,870)**	(2,996)
Non-current assets	**828**	871
Net assets	**10,060**	10,814

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Revenue	**8,512**	13,166
Cost of sales	**5,154**	13,113
(Loss)/Profit from continuing operations	**(754)**	67
Income tax expense	**–**	–
Net (loss)/profit from continuing operations	**(754)**	67
Other comprehensive income	**–**	–
Total comprehensive income	**(754)**	67

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

(b) Investment in a joint venture — Group

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
At 1 January	1,625	1,252
Share of (loss)/profit	(361)	373
At 31 December	1,264	1,625

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

Company name	Place of business/ country of incorporation	Paid-in capital	Attributable equity interests to the Group As at 31 December 2014	2013	Principal 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 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investment in a joint venture — Group *(continued)*

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

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Current assets		
Cash and cash equivalents	2,763	2,737
Other current assets (excluding cash)	641	490
Total current assets	3,404	3,227
Current liabilities	(930)	(46)
Non-current assets	106	136
Net assets	2,580	3,317

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Revenue	4,130	3,412
Cost of sales	2,510	1,652
(Loss)/Profit from continuing operations	(737)	761
Income tax expense	–	–
Net (loss)/profit from continuing operations	(737)	761
Other comprehensive income	–	–
Total comprehensive income	(737)	761

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Current income tax:		
Current income tax on profits for the year (d)	6,937	19,663
Under-provision in respect of prior years	722	1,558
	7,659	21,221
Deferred income tax (Note 26)	(198)	(2,976)
	7,461	18,245

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	
	2014 RMB'000	2013 RMB'000
Profit before tax	45,254	51,432
Tax calculated at statutory tax rates of 25%	11,314	12,858
Tax effect of:		
Effect of differential tax rate on income	–	(382)
Expenses not deductible for tax purpose	1,599	584
Income not subject to tax	(2,217)	(2,171)
Recognition of prior years' unrecognised tax losses	(1,382)	(7)
Utilisation of previously unrecognized tax losses	(6,986)	(176)
Tax losses for which no deferred tax assets recognised	2,195	3,304
Income tax on dividends and service charge	2,049	2,782
Under-provision in respect of prior years	722	1,558
Tax effect of associates and joint venture's results	167	(105)
Tax charge	7,461	18,245

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) Enterprises incorporated in Hong Kong are subject to income tax rates of 16.5% for the years ended 31 December 2014 and 2013. No provision for Hong Kong Profits Tax for the years ended 31 December 2014 and 2013 has been made on the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceed the estimated assessable profits for the year or the subsidiaries have no estimated assessable profits in Hong Kong.

(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 2014, current income tax on profits for the year includes a provision of RMB2,049,000 (year ended 31 December 2013: RMB2,782,000) 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 is computed by dividing the net profit attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the year.

	Year ended 31 December	
	2014	2013
Profit attributable to equity holders of the Company (RMB'000)	**37,793**	33,187
Issued ordinary shares as at 1 January (thousands)	**437,850**	437,850
Weighted average number of shares held for share award scheme (thousands) (Note 22)	**(2,215)**	(3,093)
Weighted average number of shares awarded in respect of Linkchic acquisition (thousands) (Note 31(c))	**210**	–
Weighted average number of ordinary shares in issue (thousands)	**435,845**	434,757
Basic earnings per share (RMB per share)	**0.0867**	0.0763

13 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

Diluted earnings per share is 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: share options.

For the share options, 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 is 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 2014 was shown as:

	Year ended 31 December	
	2014	2013
Earnings		
Profit attributable to equity holders of the Company (RMB'000)	**37,793**	33,187
Weighted average number of ordinary shares in issue (thousands)	**435,845**	434,757
Effect of deemed issue of shares for nil consideration with respect to the Linkchic Acquisition (thousands)	**286**	811
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**436,131**	435,568
Diluted earnings per share (RMB per share)	**0.0867**	0.0762

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 2013						
Cost	48,665	42,067	32,204	41,475	14,478	178,889
Accumulated depreciation	(5,609)	(22,800)	(19,185)	(11,283)	(6,881)	(65,758)
Net book amount	43,056	19,267	13,019	30,192	7,597	113,131
Year ended 31 December 2013						
Opening net book amount	43,056	19,267	13,019	30,192	7,597	113,131
Acquisition of a subsidiary	–	–	148	9	–	157
Additions	41,109	2,982	9,505	8,367	398	62,361
Disposals (Note 7)	–	–	(86)	–	–	(86)
Depreciation charge (Note 8)	(1,072)	(6,549)	(5,759)	(4,797)	(2,305)	(20,482)
Currency translation differences	–	(45)	(6)	(252)	(2)	(305)
Closing net book amount	83,093	15,655	16,821	33,519	5,688	154,776
At 31 December 2013						
Cost	89,774	43,813	39,914	49,532	14,840	237,873
Accumulated depreciation	(6,681)	(28,158)	(23,093)	(16,013)	(9,152)	(83,097)
Net book amount	83,093	15,655	16,821	33,519	5,688	154,776
Year ended 31 December 2014						
Opening net book amount	83,093	15,655	16,821	33,519	5,688	154,776
Additions	53,842	6,092	2,586	17,134	425	80,079
Disposals (Note 7)	–	(990)	(110)	(53)	(483)	(1,636)
Depreciation charge (Note 8)	(1,153)	(6,182)	(5,792)	(5,687)	(1,726)	(20,540)
Currency translation differences	(365)	(30)	(13)	(98)	(1)	(507)
Closing net book amount	135,417	14,545	13,492	44,815	3,903	212,172
At 31 December 2014						
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

As at 31 December 2014, certain buildings in the PRC with a carrying amount of RMB33,251,000 (31 December 2013: RMB34,048,000) and the property acquired in Hong Kong in 2014 with a carrying amount of RMB82,735,000 (31 December 2013: Nil) were pledged as collaterals for the Group's bank borrowings and other loan, amounted to RMB52,867,000 (31 December 2013: RMB11,351,000) (Note 25(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	
	2014 RMB'000	2013 RMB'000
Administrative expenses	18,692	18,123
Cost of sales	1,035	1,115
Distribution expenses	813	1,244
	20,540	20,482

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 1 January 2013						
Cost	3,000	10,382	4,239	3,486	2,175	23,282
Accumulated amortisation	(1,725)	(4,020)	(718)	(127)	(943)	(7,533)
Net book amount	1,275	6,362	3,521	3,359	1,232	15,749
Year ended 31 December 2013						
Opening net book amount	1,275	6,362	3,521	3,359	1,232	15,749
Additions (Note 17)	–	–	–	14,027	–	14,027
Acquisition of a subsidiary	–	–	3,590	–	–	3,590
Amortisation charge (Note 8)	(450)	(3,025)	(1,132)	(4,211)	(124)	(8,942)
Currency translation differences	–	–	–	(75)	(15)	(90)
Closing net book amount	825	3,337	5,979	13,100	1,093	24,334
At 31 December 2013						
Cost	3,000	10,382	7,829	17,424	2,154	40,789
Accumulated amortisation	(2,175)	(7,045)	(1,850)	(4,324)	(1,061)	(16,455)
Net book amount	825	3,337	5,979	13,100	1,093	24,334
Year ended 31 December 2014						
Opening net book amount	825	3,337	5,979	13,100	1,093	24,334
Additions (Note 17)	–	–	–	8,245	276	8,521
Amortisation charge (Note 8)	(450)	(1,825)	(1,249)	(5,840)	(78)	(9,442)
Currency translation differences	–	–	–	37	(1)	36
Closing net book amount	375	1,512	4,730	15,542	1,290	23,449
At 31 December 2014						
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)
Closing net book amount	375	1,512	4,730	15,542	1,290	23,449

15 INTANGIBLE ASSETS *(continued)*

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

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Administrative expenses	**8,050**	7,541
Cost of sales	**1,392**	1,401
	9,442	8,942

16 GOODWILL

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
At 1 January	**30,032**	28,203
Arising from business combinations — Linkchic Acquisition (Note 31(c))	**–**	1,829
At 31 December	**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 2014 and 2013 RMB'000
Digital media — the PRC	**30,032**

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

16 GOODWILL (continued)

The key assumptions used for value-in-use calculations as at 31 December 2014 and 2013 are as follows:

	As at 31 December	
	2014	2013
Average annual growth rate of revenue	26%	48%
Gross margin (% of revenue)	54%	56%
Discount rate	18.8%	17%
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 2014.

17 SOFTWARE DEVELOPMENT IN PROGRESS

	Software development in progress RMB'000
At 1 January 2013	7,446
Expenditure incurred on software development	9,158
Transferred to intangible assets (Note 15)	(14,027)
At 31 December 2013 and at 1 January 2014	2,577
Expenditure incurred on software development	9,078
Transferred to intangible assets (Note 15)	(8,245)
At 31 December 2014	3,410

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS — UNLISTED EQUITY INVESTMENTS

	As at 31 December 2014 and 2013 RMB'000
Unlisted equity investments	10,160
Less: Provision for impairment	(2,000)
Carrying value	8,160

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.

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS — UNLISTED EQUITY INVESTMENTS *(continued)*

The fair value of this unlisted equity investment is based on cash flows discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities. As at 31 December 2014 and 2013, the investment cost approximated its fair value.

As at 31 December 2014 and 2013, another unlisted equity investment with original consideration of RMB2,000,000 was fully impaired.

19 TRADE AND OTHER RECEIVABLES

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables (a)		
— Due from third parties	**218,589**	196,289
Less: provision for impairment of receivables (b)	**(1,422)**	(1,784)
Trade receivables — net	**217,167**	194,505
Value-added tax recoverable	**23,014**	20,414
Printing deposits	**13,690**	13,690
Rental, utility and other deposits	**10,645**	11,706
Prepayments	**8,660**	8,874
Advances to employees	**3,881**	3,265
Others	**6,857**	6,436
	283,914	258,890

As at 31 December 2014 and 2013, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

(a) The ageing analysis of trade receivables, before provision for impairment, as at 31 December 2014 and 2013 is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Trade receivables, gross		
— Within 30 days	**61,861**	70,246
— Over 31 days and within 90 days	**84,360**	80,696
— Over 90 days and within 180 days	**44,681**	30,416
— Over 180 days	**27,887**	14,931
	218,589	196,289

19 TRADE AND OTHER RECEIVABLES *(continued)*

(a) *(continued)*

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 trade receivables.

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

(b) As at 31 December 2014, trade receivables of RMB86,225,000 (31 December 2013: RMB71,969,000) 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 ageing analysis of these trade receivables past due but not impaired at respective balance sheet dates is as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
— Within 30 days past due	26,799	25,697
— Over 31 days and within 90 days past due	28,584	23,579
— Over 90 days past due	30,842	22,693
	86,225	71,969

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

	As at 31 December	
	2014 RMB'000	2013 RMB'000
— RMB	268,677	240,374
— HKD	12,505	15,324
— USD	2,585	3,024
— Others	147	168
	283,914	258,890

19 TRADE AND OTHER RECEIVABLES *(continued)*

(d) Movements in provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
At beginning of the year	**1,784**	1,671
Additional provision (Note 8)	**–**	154
Write off of receivables	**–**	(11)
Reversal of provision (Note 8)	**(362)**	(30)
At the end of the year	**1,422**	1,784

In 2014, no trade receivables (31 December 2013: RMB154,000) were impaired and provided for impairment losses. Provision for impairment of trade receivables has been made for estimated irrecoverable amounts from rendering of service. This provision has been determined by reference to past default experience. The ageing of these impaired trade receivables is over 180 days as at 31 December 2014 and 2013.

Company

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Other receivables and prepayments		
— Prepayments	**222**	162
— Printing deposits	**7,889**	7,911
	8,111	8,073
Amount due from subsidiaries (a)	**150,613**	162,513

(a) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

20 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Group

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Cash at bank and in hand (a)	**105,403**	128,730
Less: Restricted cash (b)	**(1,040)**	(2,440)
Cash and cash equivalents	**104,363**	126,290

(a) All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank, including restricted cash, at floating bank deposit rates.

(b) Restricted cash represents guaranteed deposits held in a separate reserve account that is pledged to the bank as security deposits for bank borrowings (Note 25(b)).

Company

As at 31 December 2014, cash and cash equivalents of the Company of RMB275,000 are not restricted and are denominated in HKD (31 December 2013: HKD of RMB160,000 denominated in HKD).

21 SHARE CAPITAL

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

	As at 31 December	
	2014	2013
	(thousands)	(thousands)
Authorised:		
8,000,000,000 shares of HK$0.01 each	**HK$80,000**	HK$80,000
Equivalent to	**RMB70,485**	RMB70,485

21 SHARE CAPITAL *(continued)*

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital RMB'000
At 1 January and 31 December 2013	437,850	3,848
At 1 January 2014	**437,850**	**3,848**
Proceeds from shares issued — employee share award scheme (Note 22)	**360**	**3**
At 31 December 2014	**438,210**	**3,851**

22 SHARE-BASED PAYMENT

(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 selected employees (the "Selected Employees") in accordance with the provisions of the Share Award Scheme and the maximum number of Awarded Shares awarded to a Selected Employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company.

Pursuant to the Share Award Scheme, the Remuneration Committee of the Company shall select the Selected Employees 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 Selected Employee under the Share Award Scheme.

22 SHARE-BASED PAYMENT *(continued)*

(a) Share award scheme *(continued)*

During the year ended 31 December 2014, no shares (2013: 3,025,000 shares) were awarded to Selected Employees under the Company's Share Award Scheme. No share-based payments expense was charged to profit or loss for the year ended 31 December 2014 (2013: RMB5,734,000).

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

	Year ended 31 December			
	2014		2013	
	Number of shares held	Value RMB'000	Number of shares held	Value RMB'000
At 1 January	2,215,000	2,508	5,240,000	6,124
Dividend reinvested to the scheme	–	(88)	–	(232)
Shares vested during the period	–	–	(3,025,000)	(3,384)
At 31 December	2,215,000	2,420	2,215,000	2,508

(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 awarded to selected employees 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 selected employees 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 4 June 2014, 360,000 shares were issued and vested to the selected employees for nil consideration. The share capital and share premium were credited by RMB3,000 and RMB688,000 respectively, based on the fair value of HK$2.4 per share at the grant date. For the year ended 31 December 2014, the share-based payment expenses of RMB203,000 (31 December 2013: RMB869,000) was recognized in the consolidated statement of comprehensive income.

There were 429,600 shares forfeited for the year ended 31 December 2014. Therefore there were 286,400 outstanding unvested awarded shares at 31 December 2014 in respect to the acquisition of Linkchic (31 December 2013: 1,076,000).

Detailed terms of the agreement for the acquisition of Linkchic are set out in the Company's announcement dated 23 April 2013.

22 SHARE-BASED PAYMENT *(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 are as follows:

	Year ended 31 December	
	2014 Number of share options	2013 Number of share options
At 1 January	1,076,000	–
Granted	–	1,076,000
Forfeited	(429,600)	–
Exercised	(360,000)	–
At 31 December	286,400	1,076,000

The remaining vesting periods of the shares awarded under the Linkchic acquisition outstanding at 31 December 2014 are as follows:

	As at 31 December 2014	
	Remaining vesting period	Number of Awarded Shares outstanding
Shares awarded in		
— April 2013	To 13 May 2015	144,000
— April 2013	To 13 May 2016	142,400
		286,400

23 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 is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Company			
	Share premium	Currency exchange reserve	Retained earnings	Total
As at 1 January 2013	144,357	(7,171)	19,592	156,778
Dividends approved in respect of the previous year (Note 23(b))	–	–	(19,547)	(19,547)
Profit for the year	–	–	20,839	20,839
Other comprehensive income	–	(3,598)	–	(3,598)
As at 31 December 2013	144,357	(10,769)	20,884	154,472
As at 1 January 2014	144,357	(10,769)	20,884	154,472
Dividends approved in respect of the previous year (Note 23(b))	–	–	(17,319)	(17,319)
Employee share-based compensation	688	–	–	688
Profit for the year	–	–	6,615	6,615
Other comprehensive income	–	(1,047)	–	(1,047)
As at 31 December 2014	145,045	(11,816)	10,180	143,409

23 RESERVES AND DIVIDENDS *(continued)*

(b) Dividends

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

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Final dividends proposed after the end of the financial year of HK2.50 cents (equivalent to RMB1.97 cents) (2013: HK5.00 cents (equivalent to RMB3.96 cents) per ordinary share	**8,642**	17,319

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

	Year ended 31 December	
	2014 **RMB'000**	2013 RMB'000
Final dividends in respect of the previous financial year of HK5.00 cents (equivalent to RMB4.00 cents) per share (2013: HK5.50 cents (equivalent to RMB4.50 cents) per share)	**17,258**	19,168

(c) Nature and purpose of reserves on the consolidated statements 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.

23 RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves on the consolidated statements of changes in equity *(continued)*

(ii) Statutory surplus reserve

In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC now comprising 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 offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve after such issue is no less than 25% of share capital.

For the year ended 31 December 2014, RMB5,199,000 (2013: nil) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

(iii) Currency exchange difference

Currency exchange difference 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 reserve

Other reserve represented the aggregate amount of paid-in capital of the companies now comprising the Group after elimination of investments in subsidiaries.

24 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	
	2014	2013
	RMB'000	RMB'000
Trade payables:		
— Due to third parties	**29,632**	31,666
Other payables:		
Advances from customers	**19,123**	22,512
Accrued taxes other than income tax	**10,977**	10,294
Accrued expenses	**7,374**	7,719
Advertising and promotion expenses payable	**6,921**	6,686
Salaries, wages, bonus and benefits payable	**3,598**	8,450
Other liabilities	**9,538**	11,645
	87,163	98,972

(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 2014 and 2013, all trade and other payables of the Group were non-interest bearing, and their fair value, 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	
	2014	2013
	RMB'000	RMB'000
Trade payables		
— Within 30 days	**10,902**	9,087
— Over 31 days and within 90 days	**13,373**	14,409
— Over 91 days and within 180 days	**3,137**	7,519
— Over 180 days	**2,220**	651
	29,632	31,666

24 TRADE AND OTHER PAYABLES *(continued)*

(c) As at 31 December 2014 and 2013, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
— RMB	83,069	83,736
— HKD	2,249	11,643
— USD	1,195	946
— EUR	559	751
— JPY	–	1,835
— Others	91	61
	87,163	98,972

Company

As at 31 December 2014 and 2013, all trade and other payables of the Company were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.

The ageing of trade and other payables of the Company are within 90 days.

As at 31 December 2014, all trade and other payables of the Company were denominated in HKD (31 December 2013: denominated in HKD).

25 BORROWINGS

Group

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Current		
— Unsecured bank borrowings (a)	59,377	38,821
— Secured bank borrowings (b)	7,865	7,970
— Other secured loan (c)	784	–
	68,026	46,791
Non-current		
— Secured bank borrowings (b)	34,576	9,481
— Other secured loan (c)	13,742	–
	48,318	9,481
	116,344	56,272

25 BORROWINGS *(continued)*

(a) As at 31 December 2014, unsecured bank borrowings of RMB27,600,000 (31 December 2013: RMB10,000,000) were guaranteed by Mr. Shao, the controlling shareholder of the Company and Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group; and unsecured bank borrowings of RMB16,000,000 (31 December 2013: RMB6,000,000) were guaranteed by Mr. Shao, the controlling shareholder of the Company.

The remaining unsecured bank borrowings of RMB15,777,000 (31 December 2013: RMB22,821,000) were credit loans.

(b) As at 31 December 2014, secured bank borrowings of RMB38,341,000 (31 December 2013: RMB11,351,000) were secured by the buildings of the Group with a carrying amount of RMB115,986,000 (Note 14) (31 December 2013: RMB34,048,000), among which RMB9,480,000 (31 December 2013: RMB11,351,000) were guaranteed by Shanghai Gezhi Advertising Company Limited and Shenzhen Yazhimei Information Media Company Limited, both are indirect wholly-owned subsidiaries of the Group.

The remaining secured bank borrowings of RMB4,100,000 (31 December 2013: RMB6,100,000) were secured by the pledged deposits of RMB1,040,000 (Note 20) (31 December 2013: RMB2,440,000), and were guaranteed by Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group.

(c) As at 31 December 2014, other secured loan of RMB14,526,000 (31 December 2013: nil), borrowed from a developer for the acquisition of a property in Hong Kong, was secured by the property with a carrying amount of RMB82,735,000 (also included as security for bank borrowings as mentioned in Note 25(b)) and was also guaranteed by Mr. Shao, the controlling shareholder of the Company, and Ms. Zhong Yuanhong , an employee of the Group.

(d) The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Borrowings:		
— RMB	**57,180**	40,451
— HKD	**59,164**	15,821
	116,344	56,272

25 BORROWINGS *(continued)*

(e) The maturity of borrowings is as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
On demand or within 1 year	**68,026**	46,791
Between 1 and 2 years	**4,772**	2,010
Between 2 and 5 years	**13,608**	6,971
Over 5 years	**29,938**	500
	116,344	56,272

(f) As 31 December 2014, the Group's borrowings are repayable as follows:

	As at 31 December	
	2014	2013
	RMB'000	RMB'000
Wholly repayable within 5 years	**63,477**	44,921
Wholly repayable after 5 years		
— Bank borrowings	**38,341**	11,351
— Other loan	**14,526**	–
	116,344	56,272

(g) The weighted average effective interest rates at each balance sheet date are as follows:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current		
— RMB	**6.70%**	6.51%
— HKD	**3.27%**	3.07%
Non-current		
— RMB	**7.10%**	7.12%
— HKD	**2.87%**	–

The fair value of current borrowings equals their carrying amount as the discounting impact is not significant. The fair value of non-current borrowings approximates their carrying amount as the interest rate is close to market interest rate.

25 BORROWINGS *(continued)*

(h) As at 31 December 2014, the Group has unused facilities of RMB11,188,700 (31 December 2013: RMB56,900,000).

Company

	As at 31 December	
	2014 **RMB'000**	2013 RMB'000
Current		
Bank borrowings — unsecured	**15,777**	15,821

The Company's bank borrowings are denominated in HKD.

The weighted average effective interest rates for the year ended 31 December 2014 and 2013 were 3.09% and 3.07% respectively.

26 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated balance sheet:

	As at 31 December	
	2014 **RMB'000**	2013 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	**1,610**	62
— to be recovered after more than 12 months	**2,345**	5,146
	3,955	5,208
Deferred income tax liabilities:		
— to be settled within 12 months	**–**	–
— to be settled after more than 12 months	**(888)**	(2,339)
	(888)	(2,339)

26 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Tax losses to be carried forward	Depreciation allowances in excess of the related depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2013	632	–	1,211	1,843
Exchange adjustment	(28)	–	(6)	(34)
Credited to the consolidated statement of comprehensive income	398	508	2,493	3,399
At 31 December 2013	**1,002**	**508**	**3,698**	**5,208**
Exchange adjustment	**(14)**	**–**	**–**	**(14)**
Credited/(charged) to the consolidated statement of comprehensive income	**4,030**	**(104)**	**(2,297)**	**1,629**
At 31 December 2014	**5,018**	**404**	**1,401**	**6,823**

26 DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

In accordance with the accounting policy set out in Note 2.17, the Group has not recognised deferred tax assets in respect of accumulative tax losses of RMB4,185,000 at 31 December 2014 (2013: RMB8,866,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. 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 date.

Deferred income tax liabilities	Depreciation allowances in excess of the related depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2013	1,062	887	1,949
Exchange adjustment	(33)	–	(33)
Charged to the consolidated statement of comprehensive income	423	–	423
At 31 December 2013	**1,452**	**887**	**2,339**
Exchange adjustment	**(14)**	**–**	**(14)**
Charged/(credit) to the consolidated statement of comprehensive income (Note 12)	**2,318**	**(887)**	**1,431**
At 31 December 2014	**3,756**	**–**	**3,756**

At 31 December 2014, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB75,677,000 (2013: RMB73,246,000). Deferred tax liabilities of RMB3,784,000 (2013: RMB3,662,000) 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.

27 CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Profit for the year before income tax	**45,254**	51,432
Adjustments for:		
— Depreciation of property, plant and equipment (Note 14)	**20,540**	20,482
— Amortisation of intangible assets (Note 15)	**9,442**	8,942
— (Reversal of)/provision for impairment of receivables (Note 19)	**(362)**	124
— Share-based payment expense (Note 22)	**203**	6,603
— Finance income (Note 10)	**(808)**	(757)
— Finance expenses (Note 10)	**4,421**	2,456
— Share of losses/(profits) of associates (Note 11)	**302**	(48)
— Share of losses/(profits) of a joint venture (Note 11)	**361**	(373)
— Disposal losses of an associate (Note 11)	**777**	–
— Impairment loss on an equity investment	**–**	269
— Net losses on disposal of property, plant and equipment (Note 7)	**1,162**	79
— Foreign exchange difference	**(1,102)**	(1,353)
Changes in working capital:		
— (Increase)/decrease in trade and other receivables	**(24,662)**	20,073
— Decrease in amount due to related parties	**(85)**	–
— Decrease in amount due to an associate	**–**	(1,057)
— Increase in inventories	**(39)**	–
— (Decrease)/increase in trade and other payables	**(11,809)**	364
Cash generated from operations	**43,595**	107,236

27 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 comprise:

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Net book amount (Note 14)	**1,636**	86
Net losses on disposal of property, plant and equipment (Note 7)	**(1,162)**	(79)
Proceeds from disposal of property, plant and equipment	**474**	7

(c) Significant investing activities that do not involve cash receipts and payments

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Loans used for settlement of purchases of a property located in Hong Kong by a bank and a developer directly	**45,618**	–

28 CONTINGENCIES

At 31 December 2014 and 2013, the Group had no material contingent liabilities.

29 COMMITMENTS

(a) Capital commitments

As at 31 December 2014, the Group did not have significant capital commitments (31 December 2013, RMB 53,413,000 for the acquisition of properties).

29 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 are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Operating leases expiring:		
— Within 1 year	24,459	24,347
— After 1 year but within 5 years	22,570	24,086
	47,029	48,433

(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 2014, the total future minimum payments under non-cancellable licensing agreements are as follows:

	As at 31 December	
	2014 RMB'000	2013 RMB'000
Licensing agreement expiring:		
— Within 1 year	29,549	23,296
— After 1 year but within 5 years	86,552	83,980
— After 5 years	29,636	39,943
	145,737	147,219

30 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 2014 and 2013, and balances arising from related party transactions as at 31 December 2014 and 2013.

(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	Director of the Group
Hangzhou Shili	A joint venture of the Group

(b) Transactions with related parties

In addition to the transactions and balances disclosed in Note 25, the Group entered into the following related party transactions during the years ended 31 December 2014 and 2013:

Group

	Year ended 31 December	
	2014 RMB'000	2013 RMB'000
Licensing fee	632	632

30 RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with related parties *(continued)*

This represented the licensing fee payable to Hangzhou Shili for the rights to use the publishing license held by Hangzhou Shili. It is charged at a pre-determined rate mutually agreed, which is based on the market rates of the related licensing services provided.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Rental expenses	**14,168**	10,602

This represented rental expenses paid and payable to an entity controlled by close family members of the Group's director, Dr. Cheng Chi Kong, for the lease of office premises in Shanghai. It is charged at a pre-determined rate mutually agreed, which is based on the market rent rates.

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Advertising income	**13,618**	13,053

This represented advertising income received and receivable from entities controlled by close family members of the Group's director, Dr. Cheng Chi Kong, for certain advertisement placements on the Group's media platforms. It is charged at a pre-determined rate mutually agreed, which based on the market rates of the related services rendered.

(c) Key management compensation

	Year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Salaries and allowances	**18,353**	16,908
Discretionary bonus	**2,306**	2,594
Share-based payment expenses under Share Award Scheme (Note 22)	**–**	2,746
Social security costs	**826**	459
	21,485	22,707

31 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, particulars of which as at 31 December 2014 and 2013 are set out below:

Company name	Note	Place and date of incorporation	Issued and paid up capital	Effective interests held by the Company 31 December 2014	2013	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)	(b)	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)	(b)	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)	(a)	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)	(b)	The PRC 24 November 2004	RMB5,010,000	100%	100%	Indirect	Publication of magazines in the PRC, design and selling of advertising spaces
Shanghai Senyin Information Technology Co., Ltd.* (上海森音信息技術有限公司)	(b)	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)	(a)	The PRC 16 August 2007	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)	(b), (c)	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)	(b)	The PRC 22 February 2012	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)	(b)	The PRC 14 January 2013	RMB500,000	100%	100%	Indirect	Provision of advertising agency services

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

31 SUBSIDIARIES *(continued)*

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

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

(c) In April 2013, the Group entered into an agreement with an independent third party to acquire 100% equity interests of 每城美客(北京)網絡科技有限公司 ("Linkchic") which was disclosed in the Company's announcement dated 23 April 2013.

(d) 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 (the "PRC Operational Entities") 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.

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 purpose 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 22). 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 are included in the Group's consolidated balance sheet and the Company's shares held by the Modern Media Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

As at 31 December 2014, the Company had contributed RMB8,805,000 (31 December 2013: 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 balance sheet.

33 EVENTS AFTER THE BALANCE SHEET DATE

After the end of the reporting period the Directors proposed a final dividend. Further details are disclosed in Note 23(b).

34 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

35 APPROVAL AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 9 March 2015.

Five Year Financial Summary

RESULTS

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Turnover	**603,801**	631,180	655,313	586,186	456,255
Profit before taxation	**45,254**	51,432	92,752	85,069	71,351
Income tax	**(7,461)**	(18,245)	(27,484)	(24,791)	(18,599)
Profit for the year	**37,793**	33,187	65,268	60,278	52,752

ASSETS AND LIABILITIES

	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000	2010 RMB'000
Total assets	**675,822**	621,849	595,751	552,192	415,248
Total liabilities	**(217,224)**	(183,265)	(175,485)	(187,717)	(148,565)
Total equity	**458,598**	438,584	420,266	364,475	266,683

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").

現代傳播集團

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