

INTERIM REPORT 2015

MODERN MEDIA HOLDINGS LIMITED

現代傳播控股有限公司

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

新聞



現代傳播
Modern Media



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shao Zhong (*Chairman*)
Mr. Wong Shing Fat (*Vice Chairman*)
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
(*appointed with effect from 1 September 2015*)
Mr. Li Jian
(*appointed with effect from 1 September 2015*)

Non-executive Director

Mr. Cheng Chi Kong
Mr. Li Jian

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Shao Zhong
Mr. Mok Chun Ho, Neil

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22th Floor, Prince's Building
Central, Hong Kong

LEGAL ADVISERS AS TO HONG KONG

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

Corporate Information

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Global Trade Square
21 Wong Chuk Hang Road
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)

REGISTERED OFFICE

Floor 4
Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

Stock Code: 72

WEBSITE

www.modernmedia.com.cn

Management Discussion and Analysis

RESULT SUMMARY

The global economy faces crucial challenges with uncertainty and complexity in 2015, with downgrade of global economic growth forecast from 3.8% to 3.3% made by the International Monetary Fund (“IMF”) in June. Commodity price had been dragged down by the decline in oil price, which had already been cut down by half since September 2014, this also had placed an adverse impact on world economy. The world’s three largest economies are still undergoing major transitions. The U.S. Federal Reserve completed the asset purchase program and is in the process of normalization of monetary policy, which is expected to raise interest rate later this year. The IMF lowered its forecast for US growth to 2.5% from an earlier estimate of 3.1%. The slowdown of economic growth in Europe is another risk to the global economy as Greek debt crisis casts additional uncertainties to Eurozone economy. Economic growth in China has slowed down since 2014, and IMF forecast it to be less than 7% in 2015, compared to 7.4% in 2014. The volatile stock market this year had also led to uncertainties in Chinese economy. The PRC government continues the policies of anti-corruption and advocating economization, especially in luxury goods consumption which cause the brand advertisers remain cautious and conservative in their advertising spending.

Even though the overall magazine advertisement market was stagnant, the Company and its subsidiaries (the “Group”) had recorded an increase in revenue of approximately 5.2% to RMB279.4 million as compared with the corresponding period in 2014 (2014: RMB265.6 million), the rise was mainly due to our diversified strategy in business development. During the past six months ended 30 June 2015 (the “Interim Period”), the Group reported a profit attributable to equity shareholders of approximately RMB5.8 million (2014: RMB5.1 million) which represented an increase of approximately 13.7% as compared with the same period of year 2014.

The Group is able to achieve a relatively stable financial performance when compared with other industrial competitors was attributed to the following three reasons: (1) the income contributed by digital media has maintained its upward trend when compared with the same period of last year; (2) the Group has continued to implement a series of cost control measures this year, e.g. optimizing human resource structure and tightening the budget control on production costs and expenses; and (3) the Group entered into a contract to dispose certain artworks to Mr. Shao Zhong in the Interim Period, which resulted a gain of RMB14.2 million. During the Interim Period, the Group had strategically restructured its business into four business segments, namely (i) print media, (ii) digital media, (iii) television (“TV”) and (iv) art. The new segment of art would mainly focus on art related advertisement, artwork trading, art exhibition, and online and offline artwork auction, which management perceives to be a growing market for the Group to capture such business opportunities. In the Interim Period, print media remained the major income contributor of advertising revenue while digital media had continued to show its capability of becoming one of the revenue centres. For the six months ended 30 June 2015 and 2014, the segment results are as follows:

Management Discussion and Analysis

RESULT SUMMARY (Continued)

	Print Media	Digital Media	Television	Art	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Six months ended 30 June 2015					
Reportable segment revenue	205,406	41,289	3,725	33,481	283,901
Reportable segment (loss)/profit	(14,995)	6,452	(1,824)	14,075	3,708
Segment EBITDA	(8,081)	11,570	(918)	14,105	16,676
Six months ended 30 June 2014					
Reportable segment revenue	230,982	33,053	3,496	–	267,531
Reportable segment profit/(loss)	14,457	2,126	(2,874)	–	13,709
Segment EBITDA	22,429	7,061	(1,676)	–	27,814

The segment revenue for the print media in first half of 2015 suffered a decline of 11.1% when compared with that of 2014, the segment profit decreased correspondingly along with the sales drop. On the other hand, the digital media segment has reported an increase in segment revenue by 24.9% which maintained its position as the major growth engine of the Group in the Interim Period. Since the Apps were well-accepted and recognized by more brand advertisers, the digital media segment has contributed higher profit as compared to the corresponding period in 2014. The management of the Group has confidence that the digital media segment will continue its growth in 2015 and onwards. The TV segment revenue also recorded an increase in the Interim Period by 6.6% when compared with that of 2014. The Group reviewed the cost structure of TV segment and implemented certain cost control measures which improved the segment EBITDA as compared to the corresponding period in last year. The art segment had a positive contribution to the Group's financial performance in the Interim Period, its revenue and segment profit were mainly generated from the gain derived from advertising revenue growth of 26.8% and trading of several pieces of artwork. The total segment EBITDA of the Group had shown an increasing trend, which implied that our digital media and art segments are able to compensate the less satisfactory performance suffered by print media segment.

Management Discussion and Analysis

(A) BUSINESS REVIEW

Advertising

During the Interim Period, our advertising revenue generated by the print media segment still contributed most of our Group's advertising revenue, while digital media continues to generate incremental revenues.

Print Media

The Group commenced the year 2015 with six weekly/bi-weekly and nine monthly/bi-monthly magazines in the PRC and Hong Kong. In April 2015, the Group launched another high-end magazine focused on lifestyle and interior design, namely "Ideat" in the PRC market.

During the Interim Period, the Group's portfolio of magazine titles contributed an advertising revenue of approximately RMB194.4 million (2014: RMB217.9 million), which represented a decline of approximately 10.8% as compared to the corresponding period in 2014.

The overall advertisement market in the PRC did not keep up with the growth pace of its retail market in the first half of 2015, further, the advertising market of magazine category suffered a decrease of 14.5%.

**Remarks: Advertising information in the above paragraph is extracted from Advertising Expenditure Report of First Half of 2015 issued by Admango.*

To cope with the tough condition in the aforesaid advertising market of magazine category, our Group had made every effort to achieve a satisfactory performance in the Interim Period. Although the revenue of our flagship magazine, "Modern Weekly" decreased when facing the industrial depression in the PRC market, it still ranked No. 1 in terms of revenue in weekly magazine market according to audit report by Admango and continuously maintained the irreplaceable position by most of print media brand advertisers while the other print competitors were struggling in this stagnant environment. Moreover, the issue of "The Art Newspaper" further consolidated the contents of "Modern Weekly", which has enlarged our readers' base and continue to attract new advertising client portfolio including some international auction house and art galleries etc. Further, our Group has jointly organized a number of marketing events with brand clients in the first half of 2015 to increase the event income and market awareness.

The revenue of another flagship magazine of the Group, "Modern Lady Weekly", also suffered under the downward trend of macro environment in magazine market. In the second half of 2015, the Group will continue to refine its marketing strategy and organize a series of marketing events by cooperating with "You Jia Hui" (優家薈) — the readers' club. The number of members of "You Jia Hui" had increased in recent years, it is expected that the marketing events organized through "You Jia Hui" would also create positive impacts on our printed magazine.

Management Discussion and Analysis

(A) BUSINESS REVIEW (Continued)

Print Media (Continued)

By comparing with 40 other business and financial magazines, “Bloomberg Businessweek/China (Simplified Chinese edition)” ranked no. 3 in terms of the advertising revenue in all categories, versus no. 5 in year 2014. Moreover, “Bloomberg Businessweek/China” (Simplified & Traditional Chinese edition) had organized several finance marketing events in the PRC and Hong Kong and those events raised our publication’s market recognition among the readers and financial institutions. As such, the advertising performance of this magazine improved in the first half of 2015 as compared to the same period in 2014, as it has gained broader market awareness in the PRC and Hong Kong.

Advertising revenues of other monthly magazines operated by the Group in the PRC and Hong Kong recorded different performances. Some titles recorded rising advertising revenue as compared to the same period of last year, whilst some other monthly titles experienced revenue declines as per the general trend of the Group’s print media business. Nonetheless, the overall revenue growth of these monthly magazines still achieved a rise of approximately 6.3% as compared to the corresponding period last year. The Group will continue to review such portfolio of monthly magazine and target to attain an optimal operating result in 2015 and onwards.

Digital Media

In contrast with sluggish advertising environment in printed sector, the overall market sentiment of the digital sector was still blooming. The total revenue contributed by the Group’s digital media recorded a rise by 24.9% in the Interim Period when compared with the corresponding period of last year.

As at the end of the Interim Period, the number of “iWeekly” users on smartphone and tablet were 8.8 million and 3.3 million respectively, which represented a growth of 11.4% and 6.5% as compared to the corresponding period of 2014. “iWeekly” continuously upgrade its content by incorporating the selected contents from some famous international media brands, which enriched its globalized contents and further enlarge the readers’ base and increase their adherence. It continued to be recognized as one of the most successful Chinese media applications on Apple and Android platforms.

“iBloomberg” has also broadened its user base on smartphone and tablet PC by reaching 3.9 million and 1.5 million users respectively, which represented a growth of 25.8% and 15.3% from the same period of last year. Moreover, “iBloomberg” iOS version maintained its ranking as Top 3 in Newsstand Top Crossing List in the App Store. The advertising revenue of “iBloomberg” during the Interim Period surged by 78.4% when compared with that of last year. “iBloomberg” walks in the footprints of the successful “iWeekly” and we believe it may become another main income generator in our digital media business.

Management Discussion and Analysis

(A) BUSINESS REVIEW (Continued)

Digital Media (Continued)

“iLady”, a comprehensive informative platform for elite women, accumulated more than 3.8 million users as at the end of the Interim Period as compared to 2.6 million users as at 30 June 2014, which represented a 46.2% increase. By offering the “Ready-to-Buy” digital media experience to users, “iLady” was well-accepted by both our users and brand advertisers. Meanwhile, “iLady” has successfully built its vertical e-Commerce platform by cooperating with Metroer.com, where comprehensive solutions are provided for targeted customers on behalf of brand clients. Moreover, as the “iLady” App could effectively bring traffic to selected advertisers’ shopping platform or their official website, “iLady” has increased its popularity amongst the brand advertisers. In the first half of 2015, “iLady” generated an income of more than RMB6.8 million which was 46.7% higher than that of last year.

During the Interim Period, the Group also diversified its investment into film production. The investment amounted to RMB3.0 million representing 10% interest. The film is expected to be released in cinema in the first quarter of next year.

We are confident that as the user base of our App is becoming larger, our digital business will further generate considerable revenue and achieve remarkable business growth in the future.

TV

The TV team provides value-added services by focusing on the customized productions for some of our brand advertisers. TV segment had achieved a revenue of RMB3.7 million (2014: RMB3.5 million) during the Interim Period that represented an increase of approximately 6.6% when compared with that of last year. Moreover, the Group has reviewed the cost structure of TV segment and implemented some cost control measures which we believe to reduce our loss in the Interim Period as compared to that of last year. As such, our management believes that our TV segment will improve its operating results and deliver better performance in the second half of 2015.

Art

During the Interim Period, the art segment had contributed revenue of RMB33.5 million, which included the advertising revenue and event income from our art-related magazines — “LEAP” and “the Art Newspaper”, and the trading income of artworks. In particular, the advertising revenue from our art-related magazine recorded a growth of 26.8% when compared with the same period of last year. In the second half of 2015, the Group is planning to expand in the field of art exhibition, online auction of artworks and art education, whilst continue to seek business opportunities in artwork trading. It is believed that the art segment will become another income generator of the Group in the near future.

Management Discussion and Analysis

(B) BUSINESS OUTLOOK

Looking ahead, 2015 is still full of challenges and opportunities.

The Group is positioned as a media platform for Chinese elite culture with trendy, internationalization, tastefulness and social responsibility as its 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 branded clients and events in the PRC and aboard.

The printed magazines of the Group remain as a leading core media in the PRC market for the branded advertisers of high-end luxury goods and lifestyle products. Moreover, there was continuous advertising revenue growth from these particular segmented clients. The Group strives to develop and maintain its renowned content quality for the needs of highly growth Elites population in the PRC market.

With the launch of “Ideat” in April this year, a contemporary lifestyle and design magazine, the Group attracted a lot of new advertisers from the digital and e-commerce industry. As popularity of this magazine had been gradually built up amongst readers and brand advertisers, its advertisement revenue and circulation income were far beyond our expectation during the Interim Period. We expected that “Ideat” will contribute positively in the first year’s operation and will prove to be another successful case of printed business development. We are confident that the print market still has room to develop for the fragmented target industry. The Group will continue to explore to launch new magazine on different contents in future to attract different advertisers.

In the past few years, we have expanded our business from print media to mobile and digital media. Our mobile and digital media platform is designed to attract a different group of readers to the readers of our printed magazines, thus providing an additional business platform to the Group. Up to now, the Group has maintained a healthy printed portfolio of totalling 16 weekly/bi-weekly and monthly/bi-monthly magazines in both the PRC and Hong Kong, satisfying the diversified interest of segmented elite readers. Also, we launched a series of mobile digital products including iWeekly, iLady, iBloomberg and iLohas, etc.; it is our plan to continue developing our online media platform of Chinese elite culture. The Group is also planning and undergoing to launch a Cloud media, namely moderntimes.cn (“moderntimes”) in the first half of 2016 which is a breakthrough in internet media products. It is anticipated that “moderntimes” will catch the eyes of millions of readers and attract a substantial advertising placements in the future. To attract more digital users and create more digital advertisements, in addition to “moderntimes”, the Group is planning to launch a series of digital personalised and vertical integration and community-based data platforms, such as iWeekly, iLady, iBloomberg, iLohas and iArt etc., which will be consolidated by the Cloud database. Furthermore, the Group is currently sorting and analysing the backup data of numerous digital products of the Group. It is expected that the database would provide an accurate analysis of user’s preference and habit in the future and then sell to the target audience for profit making and provide an additional business platform to the Group to its existing printed media platform.

Management Discussion and Analysis

(B) BUSINESS OUTLOOK (Continued)

Further, we will strengthen the film and television sector comprehensively. The Group continues to seek for cooperation and opportunity to invest in movies in the Greater China region. Furthermore, the Group is seeking cooperation opportunities to engage in the product placement business in movies and teleplays.

In light of the continuous growth of the digital and television businesses, we started to streamline our business and group structure. As disclosed in the Company's announcements dated 9 March and 8 May 2015, the Group had been exploring the possibility and opportunity to spin-off its digital and television businesses. In such connection, a spin-off proposal (the "Proposal") was submitted by the Company to the Stock Exchange for its consideration and approval pursuant to Practice Note 15 of the Listing Rules during the Interim Period. The Company was recently notified by the Listing Department of the Stock Exchange (the "Listing Department") that the Proposal did not meet two of the requirements laid down in Practice Note 15. The Company disagrees with the reasoning of the Listing Department and its ruling and will be applying for a review of its ruling under Rule 2B.06(1) of the Listing Rules. For further information, please refer to the announcement of the Company dated 19 August 2015.

Currently, China has become the world's largest art market. In 2014, the total amount of artwork auction amounted to approximately US\$8.8 billion and the trading volume amounted to approximately US\$ 5.7 billion, representing a tenfold increase as compared to that of ten years ago. Due to the combined effects of China's GDP per capita of US\$7,485 in 2014 and orderliness of international art market development, China's art market has experienced a rapid growth. Contemporary art is a pillar of two major art markets in the world, i.e. China and US. In 2014, China leaped into the front ranks of the world with a trading volume of approximately EUR610 million, representing 40% of the world's total volume, while US ranked the second in the world with a trading volume of approximately EUR552 million. These two major markets accounted for 78% of income from global contemporary art market.

**Remarks: Art market information in the above paragraph is extracted from 2014 Art Market Report jointly issued by artprice.com and Art Market Monitor of Artron*

Meanwhile, the artwork development has also been supported by the national government. According to 《文化部“十二五”時期文化產業倍增計劃》 promulgated by The Ministry of Culture, the artwork development goals, i.e. achieving a total volume of RMB200 billion in the artwork market by 2015 and establishing 2 to 3 art industry clusters with significant world impact were proposed, with an aim to build China into an international artwork trading centre. It is anticipated that favourable government policies may be implemented in the future.

Management Discussion and Analysis

(B) BUSINESS OUTLOOK (Continued)

The entire artwork market commenced with artwork trading, which is divided into two parts, i.e. online trading and offline trading. Offline trading mainly consists of the primary trading market where artworks could be traded through the art galleries and the secondary trading market where artwork inventories could be traded through various auction firms. Online trading represents over 300 e-commerce platforms of art, which have been established along with the technological advancement in internet in the recent years. Such e-commerce platforms of artwork have been adopting two operating models: one is “secondary agent” model, providing a platform connected with art galleries, artwork traders and buyers. “Secondary agent” is not a direct agent for the sale of artworks. Another model is “direct agent” model, i.e. the e-commerce platform agents, on behalf of the artists, directly carry out transactions with buyers on its e-commerce platforms. As China has plenty of artists, several e-traders of art in the Mainland China, have adopted this “direct agent” model. Either “secondary agent” model or “direct agent” model is the profit making model with transaction commission to be charged from artwork providers. We consider that an art trading platform can be established with our influence and resource in the art industry.

Currently there are numerous international and regional exhibitions — at international level, there are Basel (HK, Basel, Miami), Frieze(London, New York), FIAC (Paris), Art Stage (Singapore), Paris Photo etc., all of which are well established; and at the PRC regional level, there are Art Beijing, Photo Shanghai, 上海西岸藝術和設計博覽會 and Art 021, whose profits are mainly generated from exhibition booth rental and sponsorship. Management saw an enormous potential in terms of frequency increment and quality improvement of local exhibition. Furthermore, there is a great potential for exhibitions popularizing artworks as cultural consumption goods, such as Yayoi Kusama exhibition by MoCA Shanghai and Monet exhibition by K11 etc., and these exhibitions have generated considerable amount of ticket income.

In addition, the demand for art education is huge in the international community. Art education hereof means the course ,which is similar to the MBA course of the artwork industry, aimed to train personnel competent for artwork business operation and artwork management, instead of general artistic creation course (such as painting and sculpture) offered by domestic art institutions. Currently, such course is only offered by The Central Academy of Fine Arts in China. We consider that the demand for the art management professionals will significantly increase with the rise of artwork consumption and the vigorous development of art galleries. As the art education market is still in an elementary stage, art education courses could be conducted in collaboration with international art institutes.

Management Discussion and Analysis

(B) BUSINESS OUTLOOK (Continued)

Meanwhile, there is a great potential for the development of artist agent market. All in all, the artists' capacity and their creativity as well as the social impact of connoisseurship have been undervalued in both international and the PRC market. Currently, artist agent market seems to be inexistent, and artistes only sell their self-created artwork inventories in collaboration with offline sales platforms or e-commerce platforms. With our resources accumulated over the years (such as contacts and business acquaintance with luxury brand owners), we believe that we may facilitate the communication and the cooperation between the artistes and other industries.

Given the above-mentioned, as Modern Media has always been developing as the benchmark enterprise in the art industry of the Greater China affecting the regional art industry chain in various aspects, the Group strives to operate an art platform, which has become our core strategy for future development.

Since taking over "LEAP" in 2010, we have positioned it as a top-notch modern art magazine in the PRC which is published globally in both English and Chinese. Mr. Shao Zhong has established his own art foundation collecting numerous modern artworks. Leveraging on the strong influence of "LEAP" and Mr. Shao Zhong, the Group subsequently introduced "The Art Newspaper", an internationally recognised art informative media, by obtaining its copyright from the UK in 2013. The Group together with Montgomery, an international leading art exhibitor, held a photo exhibition in the Asia Pacific region, namely Photo Shanghai in Shanghai, a city with rich cultural and fashion background in the PRC.

Backed by the abovementioned remarkable development in the art sector over the years, the Group has established its own network including commentators, art galleries, curators, artists, collectors, auction houses and exhibitors in the art sector. As a result, such art segment contributed income for the Group so far in various income models such as advertisement, offline exhibition, sales of artworks, artist agency and cooperation with high-end brands. Furthermore, our Group entered into a contract to dispose certain artworks to Mr. Shao Zhong in the first half of 2015, please refer to the announcement of the Company dated 29 June 2015 for information. The income from art segment of the Group reached RMB33 million in the first half of the year. Looking forward, it is expected that the art segment will generate more turnover and become an important core segment of the Group.

The management of the Group considers that this is the right time to gain resources and experience in the art sector and rapidly develop its own art platform. In the second half of the year, we will set up our art platform department, so as to integrate our existing resources in the art sector, and further develop and establish a close industry chain system incorporating five major areas, i.e. media, exhibitions and events, artworks trading, artist agency and artistic education. Capitalizing on our influence on the cultural and artistic industry in the Chinese speaking communities and the Group's experience accumulated from the art sector, we strive for setting industry standards and establishing modern art industry chain.

Management Discussion and Analysis

(B) BUSINESS OUTLOOK (Continued)

Currently, we are undergoing corporate restructuring and are in the process of setting up legal entities, which would focus on artwork trading, art exhibition and art education. We are also in the recruitment process of selecting competent personnel in such connection.

The management believes that above-mentioned strategies may contribute to a sustainable and healthy development of Modern Media. In the short-term, the business and operating results of the Company is expected to regain growth momentum. In the medium and long term, the Group is expected to maintain its leading position as an integrated media in the media industry of the Greater China.

DIVIDEND

The Directors do not recommend the payment of any interim dividend (2014: Nil). The Directors will consider the possible payment of final dividend after evaluating the Group's full-year financial performance of 2015.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows for the Group's operating and unsecured banking facilities

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

During the Interim Period, the Group recorded the net cash outflow in operating activities of RMB4.8 million (2014: net cash outflow: 15.1 million). The net cash outflow in operating activities was largely due to tax payments of RMB6.0 million (2014: 18.4 million). The Group recorded a net cash outflow in investing activities of RMB13.7 million for the Interim Period largely due to the purchase of office furniture, fixtures and equipment for our digital media operation and payment for staff cost for mobile application and website developments.

As of 30 June 2015, the Group had available banking facilities approximately RMB103.4 million and of which RMB87.3 million had been utilized. All its bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in Hong Kong Dollars (HK\$) and Renminbi (RMB).

Net cash and gearing

As at 30 June 2015, the Group's net borrowing was approximately RMB38.1 million which was made up of bank borrowings of approximately RMB129.0 million and bank deposits and cash of approximately RMB90.9 million. The gearing ratio as at 30 June 2015 was 18.9% (31 December 2014: 17.1%), which was calculated based on the total debts divided by total assets.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Net cash and gearing (Continued)

As at 30 June 2015, the total borrowings of the Group were repayable as follows:

	At 30 June 2015 RMB'000	At 31 December 2014 RMB'000
Within 1 year or on demand	102,756	68,026
After 1 year but within 2 years	1,816	4,772
After 2 years but within 5 years	5,706	13,608
After 5 years	18,681	29,938
	26,203	48,318
	128,959	116,344

Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on fixed assets, software development in progress and non-current prepayment of approximately RMB12.2 million (2014: RMB18.8 million).

As at 30 June 2015, the Group did not have any capital commitment.

Management Discussion and Analysis

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2015, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

As at 30 June 2015, the Group's bank loan of RMB25.0 million were secured by the office apartment in Beijing. The Group's bank loan of RMB28.0 million and loan from developer of RMB14.1 million were secured by the office apartment in Hong Kong, the loan from developer was guaranteed by Mr. Shao Zhong, 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 RMB7.9 million was secured by pledged deposit.

As at 30 June 2015, the Group's printing credit line in an amount of approximately RMB14.8 million was secured by corporate guarantee given by the Company.

FOREIGN EXCHANGE RISKS

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

EMPLOYEES

As at 30 June 2015, the Group had a total of 992 staff (as at 31 December 2014: 1,059 staff), whose remunerations and benefits are determined based on market rates, State policies and individual performance. The decrease in the number of employees was mainly due to the rationalization of the organization structure of the Group.

By Order of the Board

Modern Media Holdings Limited

Shao Zhong

Chairman and Executive Director

18 August 2015

Corporate Governance and Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2015, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") or as otherwise notified to the Company.

Long Positions in the Company

Name of Director	Company/Name of Group member	Capacity/ Nature of interest	Number of ordinary shares of the Company held	Approximate % of issued share capital
Shao Zhong ("Mr. Shao")	The Company	Beneficial owner	274,034,000	62.53%
Wong Shing Fat	The Company	Beneficial owner	2,952,000	0.67%
Li Jian	The Company	Beneficial owner	3,836,000	0.88%
Mok Chun Ho, Neil	The Company	Beneficial owner	2,304,000	0.53%
Cui Jianfeng (<i>note</i>)	The Company	Beneficial owner	2,652,000	0.61%

Note: Mr. Cui resigned as an executive director of the Company with effect from 31 August 2015.

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 (<i>Note 2</i>)	100%

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

Corporate Governance and Other Information

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
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%

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Corporate Governance and Other Information

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
Mr. Shao	珠海銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu")	Beneficial owner	90%
Mr. Shao	Zhuhai Yinhu	Interest of controlled corporations (Note 9)	10%
Mr. Shao	廣州摩登影視娛樂有限公司 (Guangzhou Modern Film Entertainment Co., Ltd.*, "Guangzhou Modern Film", formerly known as "Guangzhou Modern Video")	Interest of controlled corporations (Note 10)	100%
Mr. Shao	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited*, "Guangzhou Mobile Digital")	Beneficial owner	95%
Mr. Shao	Guangzhou Mobile Digital	Interest of controlled corporations (Note 11)	5%
Mr. Shao	上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Beneficial owner (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

Corporate Governance and Other Information

Notes:

1. The letter “L” denotes the Director’s long position in the Shares.
2. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao’s controlled corporations.
3. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao’s indirect controlled corporation.
4. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao’s controlled corporation.
5. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei, which is Mr. Shao’s indirectly controlled corporation.
6. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao’s controlled corporation.
7. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei, which is Mr. Shao’s indirectly controlled corporation.
8. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Guangzhou Modern Information, which is Mr. Shao’s controlled corporation.
9. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao’s controlled corporation.
10. Guangzhou Modern Film 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 Guangzhou Modern Film held by Shanghai Senyin, 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 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 on Beijing Geyizhi held by Shanghai Senyin, which is Mr. Shao’s controlled corporation.

Corporate Governance and Other Information

SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITIONS DISCLOSEABLE 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 30 June 2015, 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 30 June 2015
Madam Zhou Shao-min (<i>Note 1</i>)	Interest of spouse	274,034,000	62.53%
FIL Limited	Beneficial owner	34,948,000	7.98%
Harmony Master Fund (<i>Note 2</i>)	Beneficial owner	25,752,000	5.88%
United Achievement Limited (<i>Note 3</i>)	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. (<i>Note 3</i>)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC (<i>Note 3</i>)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. (<i>Note 3</i>)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. (<i>Note 3</i>)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, LLC (<i>Note 3</i>)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%

Corporate Governance and Other Information

*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 the Cayman Islands. Harmony Fund is managed by DM Fund Management Limited, a company registered in the Cayman Islands and a subsidiary of DM Capital Limited, a company incorporated in the 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 improvements in fundamental characteristics such as corporate governance and company strategy. The figure shown in the above table is based on a confirmation received from Harmony Fund (and according to the relevant DI Notice in connection with the Company available on www.hkex.com.hk as at 30 June 2015, the number of Shares as reported in such notice to be held by the relevant shareholder was 22,244,000).
3. According to the corporate substantial shareholder notice of Warburg Pincus & Co. dated 23 May 2011, United Achievement Limited is 96.9% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly and indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by United Achievement Limited.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the Awards made up to 30 June 2015 are set out in note 14(c) to the interim report.

SHARE OPTIONS

A share option scheme (“Scheme”) was conditionally adopted by a resolution in writing passed by the then sole shareholder of the Company 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 Interim Period. No share option was outstanding under the Scheme as at 30 June 2015.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Interim Period.

Corporate Governance and Other Information

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the Interim Period.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim financial report for the six months period ended 30 June 2015. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Nomination Committee currently comprises three independent non-executive Directors. They are responsible for reviewing the structure, size and composition of the Board at least annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of Directors.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Directors' Securities Transactions (the "Model Code") as its own code of conducts regarding directors' securities transaction. In response to a specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Interim Period.

Report on Review of Condensed Consolidated Interim Financial Information



羅兵咸永道

TO THE BOARD OF DIRECTORS OF MODERN MEDIA HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 24 to 52, which comprises the interim consolidated statement of financial position of Modern Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2015 and the related interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 'Interim Financial Reporting' issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with International Accounting Standard 34 'Interim Financial Reporting'.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 August 2015

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Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

Unaudited Six months ended 30 June 2015 HK\$'000 (Note 2)		Notes	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
354,287	Revenue	6	279,384	265,622
(173,029)	Cost of sales		(136,447)	(120,131)
181,258	Gross profit		142,937	145,491
5,992	Other gains	7	4,725	9,830
(76)	Other losses — net		(60)	(756)
(87,365)	Distribution costs		(68,894)	(74,889)
(94,203)	Administrative expenses		(74,287)	(69,597)
5,606	Operating profit		4,421	10,079
365	Finance income	8	288	315
(2,999)	Finance costs	8	(2,365)	(1,774)
274	Share of post-tax profits/(loss) of an associate		216	(262)
–	Share of loss of a joint venture		–	(74)
3,246	Profit before income tax		2,560	8,284
4,084	Income tax expense	9	3,220	(3,185)
7,330	Profit for the period		5,780	5,099
	Other comprehensive income			
	<i>Items that may be reclassified to profit or loss</i>			
	Share of other comprehensive income of			
–	an overseas associate		–	290
(992)	Exchange differences on translation of financial statements of overseas subsidiaries		(782)	(68)
6,339	Total comprehensive income for the period		4,998	5,321

Interim Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2015

Unaudited Six months ended 30 June 2015 <i>HK\$'000</i> (Note 2)	Notes	Unaudited Six months ended 30 June 2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
7,331		5,780	5,099
Profit attributable to equity holders of the Company			
6,339		4,998	5,321
Total comprehensive income attributable to equity holders of the Company			
Earnings per share for profit attributable to equity holders of the Company (in RMB per share)			
HKD 0.016	— Basic earnings per share	RMB0.013	RMB0.012
HKD 0.016	— Diluted earnings per share	RMB0.013	RMB0.012

The notes on pages 31 to 52 form an integral part of this condensed interim consolidated financial information.

Interim Consolidated Statement of Financial Position

As at 30 June 2015

Unaudited 30 June 2015 HK\$'000 (Note 2)	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 <i>RMB'000</i>
ASSETS			
Non-current assets			
208,551	Property, plant and equipment	164,460	212,172
38,224	Intangible assets	30,143	26,859
38,084	Goodwill	30,032	30,032
5,377	Interest in an associate	4,240	4,024
1,603	Interest in a joint venture	1,264	1,264
10,348	Available-for-sale financial assets	8,160	8,160
11,276	Deferred income tax assets	8,892	3,955
313,463		247,191	286,466
Current assets			
394,394	Trade and other receivables	311,011	283,914
41,786	Inventories	32,952	39
4,235	Restricted cash	3,340	1,040
111,070	Cash and cash equivalents	87,588	104,363
551,485		434,891	389,356
864,948	Total assets	682,082	675,822
EQUITY			
4,885	Share capital	3,852	3,851
234,801	Reserves	185,160	184,134
340,593	Retained profits	268,585	270,613
580,279	Total equity	457,597	458,598

Interim Consolidated Statement of Financial Position

As at 30 June 2015

Unaudited 30 June 2015 HK\$'000 (Note 2)	Notes	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
LIABILITIES			
Non-current liabilities			
33,228	16	26,203	48,318
–		–	888
33,228		26,203	49,206
Current liabilities			
109,229	15	86,136	87,163
11,907		9,390	12,829
130,305	16	102,756	68,026
251,441		198,282	168,018
284,669		224,485	217,224
864,948		682,082	675,822
300,044		236,609	221,338
613,507		483,800	507,804

The notes on pages 31 to 52 form an integral part of this condensed interim consolidated financial information.

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

Notes	Unaudited								
	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Employee share-based compensation reserve RMB'000	Share Premium RMB'000	Other reserves RMB'000	Statutory surplus and general reserves RMB'000	Currency Exchange Differences RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2015	3,851	(2,420)	381	145,045	4,259	42,664	(5,795)	270,613	458,598
Total comprehensive income for the period	-	-	-	-	-	-	(782)	5,780	4,998
Total transactions with owners, recognised directly in equity:									
Employee share-based compensation	14(c)	1	-	(283)	138	-	-	-	(144)
Employees share award scheme:	14(c)	-	1,953	-	-	-	-	834	2,787
— Vested		-	1,909	-	-	-	-	834	2,743
— Dividends reinvested to the scheme		-	44	-	-	-	-	-	44
Dividends relating to 2014	14(b)	-	-	-	-	-	-	(8,642)	(8,642)
Total transactions with owners, recognised directly in equity		1	1,953	(283)	138	-	-	(7,808)	(5,999)
Balance at 30 June 2015	3,852	(467)	98	145,183	4,259	42,664	(6,577)	268,585	457,597

Interim Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

Notes	Share capital RMB'000	Shares held for Share Award Scheme RMB'000	Employee share-based compensation reserve RMB'000	Unaudited		Statutory surplus and general reserves RMB'000	Currency Exchange Differences RMB'000	Retained earnings RMB'000	Total RMB'000
				Share Premium RMB'000	Other reserves RMB'000				
Balance at 1 January 2014	3,848	(2,508)	869	144,357	4,259	37,465	(4,983)	255,277	438,584
Total comprehensive income for the period	-	-	-	-	-	-	222	5,099	5,321
Total transactions with owners, recognised directly in equity:									
Employee share-based compensation	3	-	(218)	659	-	-	-	-	444
Employees share award scheme:									
— Dividends reinvested to the scheme	14(c)	-	88	-	-	-	-	-	88
Dividends relating to 2013	14(b)	-	-	-	-	-	-	(17,258)	(17,258)
Total transactions with owners, recognised directly in equity	3	88	(218)	659	-	-	-	(17,258)	(16,726)
Balance at 30 June 2014	3,851	(2,420)	651	145,016	4,259	37,465	(4,761)	243,118	427,179

The notes on pages 31 to 53 form an integral part of this condensed interim consolidated financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

Unaudited Six months ended 30 June 2015 HK\$'000 (Note 2)	Notes	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Cash flows from operating activities			
1,632		1,287	3,377
(7,663)		(6,043)	(18,427)
(6,031)		(4,756)	(15,050)
Cash flows from investing activities			
(4,968)		(3,918)	(15,750)
(10,554)		(8,323)	(3,032)
(2,917)		(2,300)	(200)
689		543	–
–		–	2,705
365		288	538
(17,385)		(13,710)	(15,739)
Cash flows from financing activities			
(68,312)		(53,869)	(73,643)
(10,904)		(8,598)	(17,170)
(2,999)		(2,365)	(1,774)
84,363		66,527	93,391
2,148		1,695	804
(21,268)		(16,771)	(29,985)
132,343	13	104,363	126,290
(5)		(4)	20
111,070	13	87,588	96,325

The notes on pages 31 to 52 form an integral part of this condensed interim consolidated financial information.

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

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 7/F, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, 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.

The interim consolidated statement of financial position as at 30 June 2015 and the related interim consolidated statement of comprehensive income, the interim consolidated statement of changes in equity and the interim consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved by the Board on 18 August 2015.

The Interim Financial Information was presented in Renminbi thousand (RMB’000), unless otherwise stated.

This Interim Financial Information has been reviewed, not audited.

2 BASIS OF PREPARATION

The amounts in the Interim Financial Information are presented in RMB. The translation into Hong Kong dollars (“HK\$”) of the Interim Financial Information as of, and for the six months ended 30 June 2015 is for convenience only and has been made at the rate of HK\$1.2681 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into Hong Kong dollars at this or any other rate.

The Interim Financial Information has been prepared in accordance with International Accounting Standard (“IAS”) 34, ‘Interim financial reporting’. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

2 BASIS OF PREPARATION (Continued)

2.1 Going-concern basis

The Group meets its day-to-day working capital requirements through its bank facilities and cash inflows generated from operating activities. The current economic conditions continue to create uncertainty particularly over (a) the trend of advertising market; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in business performance, show that the Group should be able to operate within the level of its current facilities and cash flow position. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its interim consolidated financial information.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the financial year beginning on 1 January 2015:

- Amendment to IAS 19 regarding defined benefit plans: employee contributions, effective for the annual period beginning on or after 1 July 2014.
- Annual improvements 2012, effective for the annual period beginning on or after 1 July 2014. These amendments include the following changes from the 2010–2012 cycle of the annual improvements project:
 - IFRS 2, 'Share-based payment'
 - IFRS 3, 'Business combinations' and consequential amendments to IFRS 9, 'Financial instruments'
 - IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments — Recognition and measurement'

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

3 ACCOUNTING POLICIES (Continued)

(a) New and amended standards adopted by the Group (Continued)

- Annual improvements 2012, effective for the annual period beginning on or after 1 July 2014. These amendments include the following changes from the 2010–2012 cycle of the annual improvements project: (Continued)
 - IFRS 8, 'Operating segments'
 - IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'
 - IAS 24, 'Related Party Disclosures'
- Annual improvements 2013, effective for the annual period beginning on or after 1 July 2014. The amendments include the following changes from the 2011–2013 cycle of the annual improvements project:
 - IFRS 3, 'Business combinations'
 - IFRS 13, 'Fair value measurement'
 - IAS 40, 'Investment property'

(b) New and amended standards issued and not yet early adopted by the Group

- IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 1 January 2016.
- Amendment to IFRS 11 'Accounting for acquisitions of interests in joint operation', effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 16 and IAS 38 'Clarification of acceptable methods of depreciation and amortisation', effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10 and IAS 28 'Sale or contribution of assets between an investor and its associate or joint venture', effective for annual periods beginning on or after 1 January 2016.
- Amendment to IAS 27 'Equity method in separate financial statements', effective for annual periods beginning on or after 1 January 2016.

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

3 ACCOUNTING POLICIES (Continued)

(b) New and amended standards issued and not yet early adopted by the Group (Continued)

- Amendments to IFRS 10, IFRS 12 and IAS 28 'Investment entities: applying the consolidation exception', effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 1 'Disclosure initiative', effective for annual periods beginning on or after 1 January 2016.
- Annual improvements 2014, effective for annual periods beginning on or after 1 January 2016.
 - IFRS 5, 'Non-current assets held for sale and discontinued operations'
 - IFRS 7, 'Financial instruments: Disclosures'
 - IAS 19, 'Employee benefits'
 - IAS 34, 'Interim financial reporting'
- IFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2017'.
- IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 1 January 2017.
- IFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4 ESTIMATES

The preparation of Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2014.

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2014.

There have been no changes in the risk management department since year end.

5.2 Liquidity risk

Compared to the liquidity position as at 31 December 2014, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The financial instruments that are measured at fair value require 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amounts of the following financial assets and liabilities of the Group approximate to their respective fair values as at 30 June 2015 and 31 December 2014.

- Trade and other receivables
- Available-for-sale financial assets
- Cash and cash equivalents
- Trade and other payables
- Borrowings

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

6 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.

The Group has four (2014: three) reportable segments as described below, which are the Group's strategic business units. During the period ended 30 June 2015, the Group established a new business unit — Art. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Print media: this segment engages in the sale of advertising space in the publication of and the distribution of the Group's magazines.
- 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 customized contents for brand advertisers.
- Art: this segment mainly focuses on artwork trading and auction, art exhibition and education.

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

(a) Segment results and assets

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

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

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

6 SEGMENT INFORMATION (Continued)

(a) Segment results and assets (Continued)

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

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

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2015 and 2014 is set out below:

	Unaudited				
	Six months ended 30 June 2015				
	Print media RMB'000	Digital media RMB'000	Television RMB'000	Art RMB'000	Total RMB'000
Reportable segment revenue	205,406	41,289	3,725	33,481	283,901
Reportable segment (loss)/profit	(14,995)	6,452	(1,824)	14,075	3,708
Depreciation for the period	(5,721)	(1,513)	(814)	(30)	(8,078)
Amortisation for the period	(1,193)	(3,605)	(92)	–	(4,890)
Total depreciation and amortisation	(6,914)	(5,118)	(906)	(30)	(12,968)
Reportable segment assets as at 30 June 2015	316,441	93,139	9,337	63,417	482,334

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

6 SEGMENT INFORMATION (Continued)**(a) Segment results and assets** (Continued)

	Unaudited Six months ended 30 June 2014			
	Print media <i>RMB'000</i>	Digital media <i>RMB'000</i>	Television <i>RMB'000</i>	Total <i>RMB'000</i>
Reportable segment revenue	230,982	33,053	3,496	267,531
Reportable segment profit/(loss)	14,457	2,126	(2,874)	13,709
Depreciation for the period	(7,435)	(716)	(1,114)	(9,265)
Amortisation for the period	(537)	(4,219)	(84)	(4,840)
Total depreciation and amortisation	(7,972)	(4,935)	(1,198)	(14,105)
Reportable segment assets as at 31 December 2014	332,525	128,960	18,673	480,158

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

	Unaudited Six months ended 30 June	
	2015 <i>RMB'000</i>	2014 <i>RMB'000</i>
Revenue		
Reportable segment revenue derived from the Group's external customers	283,901	267,531
Other revenue	2,488	3,661
Less: Sales taxes and other surcharges	(7,005)	(5,570)
Consolidated revenue	279,384	265,622

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

6 SEGMENT INFORMATION (Continued)

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

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Profit		
Reportable segment profit derived		
from the Group's external customers	3,708	13,709
Other revenue	2,488	3,661
Share of post-tax profit/(loss) of associates	216	(262)
Share of loss of a joint venture	–	(74)
Unallocated head office and corporate expenses	(3,852)	(8,750)
Consolidated profit before taxation	2,560	8,284
	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Assets		
Reportable segment assets	482,334	480,158
Corporate and unallocated assets	4,195	6,111
Interests in associates	4,240	4,024
Interest in a joint venture	1,264	1,264
Available-for-sale financial assets	8,160	8,160
Deferred income tax assets	8,892	3,955
Other receivables and prepayments	82,069	66,747
Restricted cash, cash and cash equivalents	90,928	105,403
Consolidated total assets	682,082	675,822

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

6 SEGMENT INFORMATION (Continued)

(c) Geographic information

The geographic location of the Group's property, plant and equipment, intangible assets, goodwill, 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 30 June 2015.

7 OTHER GAINS

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
PRC government incentive (i)	4,618	4,000
Gains on disposal of property, plant and equipment (Note 10)	107	5,830
	4,725	9,830

(i) PRC government incentives represented government subsidies computed based on a specified percentage of enterprise income tax, turnover tax, individual income tax and other tax levies paid in the prior year.

8 PROFIT BEFORE INCOME TAX

(a) Net finance costs

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Finance cost — Interest charged on		
— Bank loans repayable within 5 years	2,037	779
— Bank loans repayable after 5 years	328	995
	2,365	1,774
Finance income	(288)	(315)
Net finance costs	2,077	1,459

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

8 PROFIT BEFORE INCOME TAX (Continued)

(b) Operating items

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation of plant, property and equipment (Note 10)	8,395	9,667
Amortisation of intangible assets (Note 10)	5,010	5,102
Impairment losses on trade receivables, net (Note 12)	491	52
Operating lease charges in respect of properties	12,913	13,076
Net foreign exchange loss	60	756

9 INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— PRC Corporate income tax	2,604	3,676
Deferred income tax	(5,824)	(491)
Income tax expense	(3,220)	3,185

Notes:

- (i) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.
- (ii) 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%. Tax loss incurred can be carried forward against future taxable income for a period of five years.

As at 30 June 2015, deferred tax assets of RMB7,989,000 were recognized for the tax losses in the interim period as management considered it was probable that future taxable profits will be available against which the tax losses can be utilized.

- (iii) The provision for Hong Kong Profits Tax for the six months ended 30 June 2015 and 2014 is calculated at 16.5% of the estimated assessable profits for the respective periods.
- (iv) In 2014, the Group set up a subsidiary in Xinjiang Kashi of the PRC where certain qualified profit can be exempted from the payment of income tax for a period of 5 years. For the period of 30 June 2015, the Group has reported the exempted profit of RMB13,021,000 (2014: nil).

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

10 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Unaudited			
	Property, plant and equipment <i>RMB'000</i>	Software and mobile applications <i>RMB'000</i>	Websites and mobile applications under development <i>RMB'000</i>	Total intangible assets <i>RMB'000</i>
Six months ended 30 June 2015				
Net book value				
As at 1 January 2015	212,172	23,449	3,410	26,859
Additions	3,918	–	8,323	8,323
Disposals (i)	(436)	–	–	–
Transfers (ii)	(42,788)	3,315	(3,315)	–
Depreciation and amortisation	(8,395)	(5,010)	–	(5,010)
Exchange difference	(11)	(29)	–	(29)
As at 30 June 2015	164,460	21,725	8,418	30,143
Six months ended 30 June 2014				
Net book value				
As at 1 January 2014	125,518	24,334	2,577	26,911
Additions	7,635	277	2,755	3,032
Disposals	(12,136)	–	–	–
Depreciation and amortisation	(9,667)	(5,102)	–	(5,102)
Exchange difference	17	–	–	–
As at 30 June 2014	111,367	19,509	5,332	24,841

- (i) During the six months ended 30 June 2015, the Group disposed certain property, plant and equipment with a carrying amount of RMB436,000 and realised a gain of RMB107,000 (Period ended 30 June 2014: RMB5,830,000) (Note 7).
- (ii) In January 2015, management of the Group determined the strategy to develop its business in artwork trading and auction, and art exhibition and education. Accordingly, the carrying amount of artworks of RMB42,788,000 were reclassified from property, plant and equipment to inventories. As at 30 June 2015, the carrying amount of artworks intended for sale was RMB32,952,000.
- (iii) As at 30 June 2015, certain properties with a carrying amount of RMB114,660,000 (31 December 2014: RMB115,986,000) were pledged as collaterals for the Group's borrowings of RMB67,111,000 (31 December 2014: RMB52,867,000) (Note 16).

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

11 INTEREST IN AN ASSOCIATE

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Investments in an associate		
— Chongqing Yubao Culture Media Co., Ltd.	4,240	4,024

12 TRADE AND OTHER RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	RMB'000
Trade receivables (a)		
Due from third parties	202,734	218,589
Due from controlling shareholder (Note 18)	28,121	—
Less: provision for impairment of receivables (b)	(1,913)	(1,422)
Trade receivables — net	228,942	217,167
Other receivables		
Value-added tax recoverable	21,634	23,014
Printing and other deposits	27,900	24,335
Prepayments	10,530	8,660
Advances to employees	3,287	3,881
Due from controlling shareholder (c) (Note 18)	2,000	—
Others	16,718	6,857
	82,069	66,747
	311,011	283,914

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

12 TRADE AND OTHER RECEIVABLES (Continued)

- (a) The ageing analysis of trade receivables as at 30 June 2015 and 31 December 2014 were as follows:

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Within 30 days	89,924	61,861
31 days to 90 days	66,256	84,360
91 days to 180 days	49,916	44,681
More than 180 days	24,759	27,687
	230,855	218,589

The Group normally allows a credit period ranging from 30 to 180 days to its advertising and circulation customers with a certain limited number of customers granted a credit period of 270 days. Management expected all of the trade receivables to be recovered within one year.

- (b) In the period ended 30 June 2015, the Group provided impairment losses of RMB491,000 for doubtful trade receivables (Period ended 30 June 2014: RMB52,000).
- (c) As at 30 June 2015, the balance represented the payment to Mr. Shao Zhong as an equity investment in a potential investee of the Group, which is an onlined artwork trading company.

13 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Cash at bank held for specific use (i)	1,650	1,613
Pledged deposits (Note 16 (ii))	3,340	1,040
Cash at banks	84,886	101,960
Cash in hand	1,052	790
	90,928	105,403
Deposits and cash	90,928	105,403
Less: Pledged deposits	(3,340)	(1,040)
Cash and cash equivalents in the interim consolidated statement of cash flows	87,588	104,363

- (i) Cash at bank held for specific use represented cash deposited at bank held by a controlled special purpose entity for the purpose of acquiring the Company's shares for awarding to the Group's employees (including directors) under the share award scheme. Details of the share award scheme are set out in Note 14(c).

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

14 CAPITAL, DIVIDENDS AND RESERVES

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

The Company

	Unaudited 30 June 2015 RMB'000	Audited 31 December 2014 RMB'000
Authorised:		
8,000,000,000 shares of HK\$0.01 each	HK\$80,000	HK\$80,000
Equivalent to	RMB70,485	RMB70,485
	Number of shares (thousands)	Share capital RMB'000
Ordinary shares issued and fully paid:		
As at 1 January 2015	438,210	3,851
Shares issued — employee share award scheme (Note 14(d))	72	1
As at 30 June 2015	438,282	3,852
As at 1 January 2014	437,850	3,848
Shares issued — employee share award scheme	360	3
As at 30 June 2014	438,210	3,851

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

14 CAPITAL, DIVIDENDS AND RESERVES (Continued)

(b) Dividends

Dividends attributable to the previous financial year, approved and paid during the periods:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Final dividend in respect of the previous financial year of HK2.50 cents, equivalent to RMB1.97 cents per share (2014: HK5.00 cents, equivalent to RMB4.00 cents per share)	8,642	17,258

(c) 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.

Movements in shares under the Company's share award scheme are as follows:

	Unaudited		Audited	
	2015		2014	
	Number of	Value	Number of	Value
	shares held	RMB'000	shares held	RMB'000
At 1 January	2,215,000	2,420	2,215,000	2,508
Dividends reinvested to the scheme	–	(44)	–	(88)
Shares vested during the period (i)	(1,780,000)	(1,909)	–	–
At 30 June	435,000	467	2,215,000	2,420

- (i) During the period ended 30 June 2015, 1,780,000 shares (period ended 30 June 2014: nil) were awarded to selected employees under the Company's Share Award Scheme. These awarded shares were vested immediately and share-based payments expense of RMB1,909,000 was charged to profit or loss for the period ended 30 June 2015 (period ended 30 June 2014: nil).

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

14 CAPITAL, DIVIDENDS AND RESERVES (Continued)

(d) 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 13 May 2015, 72,000 new shares with issue price of HK\$2.32 were vested to the selected employees for nil consideration. The share capital and share premium were credited by RMB568 and RMB137,675, respectively. For the six months ended 30 June 2015, the total share-based payment expenses was recognized by RMB144,000 (period ended 30 June 2014: share-based payment expenses of RMB444,000) in the consolidated statement of comprehensive income, after netting off the effect of forfeited shares.

As at 30 June 2015, there were 71,200 outstanding unvested awarded shares in respect to the acquisition of Linkchic (31 December 2014: 286,400 shares).

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

The remaining vesting periods of the shares awarded under the Linkchic acquisition outstanding at 30 June 2015 are as follows:

	Unaudited	
	30 June 2015	
	Remaining	Number of
	vesting period	Awarded
		Shares
		outstanding
Shares awarded in		
— April 2013	To 13 May 2016	71,200

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

15 TRADE AND OTHER PAYABLES

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	<i>RMB'000</i>
Trade payables (a)		
Due to third parties	33,290	29,632
Other payables		
Advances from customers	19,550	19,123
Accrued taxes other than income tax	10,475	10,977
Advertising and promotion expenses payable	6,690	6,921
Accrued expenses	6,095	10,972
Other liabilities	10,036	9,538
	52,846	57,531
	86,136	87,163

(a) The ageing analysis of the trade payables as at 30 June 2015 and 31 December 2014 were as follows:

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	<i>RMB'000</i>
Within 30 days	12,883	10,902
31 days to 90 days	13,865	13,373
91 days to 180 days	2,148	3,137
More than 180 days	4,394	2,220
	33,290	29,632

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For the six months ended 30 June 2015

16 BORROWINGS

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	<i>RMB'000</i>
Current borrowings		
— Unsecured bank borrowings (i)	53,998	59,377
— Secured bank borrowings (ii)	34,625	7,865
— Other secured loan (iii)	14,133	784
	102,756	68,026
Non-current borrowings		
— Secured bank borrowings (ii)	26,203	34,576
— Other secured loan (iii)	—	13,742
	26,203	48,318
	128,959	116,344

(i) As at 30 June 2015, unsecured bank borrowings of RMB17,600,000 (31 December 2014: RMB27,600,000) were guaranteed by Mr. Shao Zhong, 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 RMB10,000,000 (31 December 2014: RMB16,000,000) were guaranteed by Mr. Shao Zhong, the controlling shareholder of the Company; and unsecured bank borrowings of RMB10,626,000 (31 December 2014: nil) were guaranteed by the Company.

The remaining unsecured bank borrowings of RMB15,772,000 (31 December 2014: RMB15,777,000) were credit loans.

(ii) As at 30 June 2015, secured bank borrowings of RMB52,978,000 (31 December 2014: RMB38,341,000) were secured by the office apartments in Hong Kong and Beijing of the Group with a carrying amount of RMB114,660,000 (31 December 2014: RMB115,986,000) (Note 10).

The remaining secured bank borrowings of RMB7,850,000 (31 December 2014: RMB4,100,000) were secured by the pledged deposits of RMB3,340,000 (31 December 2014: RMB1,040,000) (Note 13), and were guaranteed by Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group.

(iii) As at 30 June 2015, other secured loan of RMB14,133,000 (31 December 2014: 14,526,000), borrowed from a developer for the acquisition of an office apartment in Hong Kong, was secured by the property with a carrying amount of RMB81,808,000 (31 December 2014: 82,735,000) (also included as security for bank borrowings as mentioned in (Note 16(ii)) and was also guaranteed by Mr. Shao Zhong, the controlling shareholder of the Company, and Ms. Zhong Yuanhong, an employee of the Group.

(iv) As at 30 June 2015, the Group has undrawn borrowing facilities of RMB16,127,000.

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

17 COMMITMENTS

(a) Operating lease commitments

As at 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	<i>RMB'000</i>
Operating leases:		
— Within 1 year	22,144	24,459
— After 1 year but within 5 years	13,483	22,570
	35,627	47,029

(b) 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 30 June 2015, the total future minimum payments under non-cancellable licensing agreements for cooperation titles are as follows:

	Unaudited	Audited
	30 June	31 December
	2015	2014
	RMB'000	<i>RMB'000</i>
Licensing agreement:		
— Within 1 year	22,313	29,549
— After 1 year but within 5 years	60,047	86,552
— After 5 years	18,903	29,636
	101,263	145,737

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

18 RELATED PARTY TRANSACTIONS

(a) Related party transactions

Except for the guarantee arrangement as disclosed in Note 16, there are following related party transactions during the six months ended 30 June 2015 and 2014:

	Unaudited	
	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Recurring		
Rental expenses (i)	6,571	6,932
Non-recurring		
Sales of artworks (ii)	29,121	–
Advertising income (iii)	1,570	7,007
	30,691	7,007

- (i) This represented rental expenses payable to an entity controlled by a close family member of the Company's director 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.
- (ii) In June 2015, the Group entered into an agreement with Mr. Shao Zhong, the controlling shareholder of the Group, pursuant to which the Group sold 17 pieces of artworks including canvases, photograph and sculpture to Mr. Shao Zhong, at a cash consideration of RMB29,121,000 (the "Disposal Agreement"). The consideration was arrived at the prices by making reference to the Assets Revaluation Report dated 20 May 2015 prepared by an independent valuer. The sell was recorded as part of the revenue as ordinary course of business and the corresponding profits derived from the sell was approximately RMB14,155,000. Such transaction under the Disposal Agreement constitutes a connected transaction for the Company under the Listing Rules.
- (iii) This represented advertising income received from entities controlled by a close family member of the Company's director 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.

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

Notes to the Condensed Interim Consolidated Financial Information

For the six months ended 30 June 2015

18 RELATED PARTY TRANSACTIONS (Continued)

(b) Receivables from related parties

	Unaudited 30 June 2015	Audited 31 December 2014
Receivable derived for the sale of artworks (i)	28,121	–
Other receivables (Note 12)	2,000	–
	30,121	–

- (i) The total consideration of RMB29,121,000 receivable from Mr. Shao Zhong, was paid and will be paid in cash in the following manner: RMB1,000,000 was paid as deposit within 2 days of the signing of the agreement; RMB9,500,000 should be paid on or before 31 August 2015 and 31 October 2015, respectively; and RMB9,121,000 should be paid on or before 31 December 2015.

(c) Key management personnel remuneration

	Unaudited Six months ended 30 June 2015 RMB'000	2014 RMB'000
Basic salaries, allowances, benefits in kind and Share Award Scheme	13,457	10,306
Retirement scheme contributions	408	371
	13,865	10,677

19 CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no material contingent liabilities.