Stock Code:72

MODERN MEDIA HOLDINGS LIMITED

ANNUAL REPORT 2015

現代傳播控股有限公司

2015年 年報

CONTENTS

A quote from Woody Allen,
an famous American film director, “Mankind is facing a cross-road, one road leads to despair and utter hopeless and the other to total extinction”.
However, we firmly believe, we have the wisdom to create a path leads to the hope, and the wisdom comes from the asset of knowledge and talent,
the extent to which companies need to be cultivating innovation, instead of merely expanding scale.

CORPORATE GROWTH

企業成長 知識煉金術

美國著名導演伍迪·艾倫說：
我們這個時代是有史以來最難以抉擇的時期，
人類正面臨一個十字路口：一條通往絕望；
另一條則是走向完全的滅亡。然而我們堅信，
我們有足够的智慧走出一條希望之路來。為此，在未來，
即使是最大的公司也必須要把自己塑造得像是
最大的創新育成者，而不是只追求建立最大規模的企業公司。
知識資產的力量就在於培育創意並點燃價值的能力。

DIGITAL MEDIA
數字媒體

2015 has been a tremendous year for our company, which filled with challenges as well as opportunities. The biggest reformation in corporate structure has been ever made while integrating digital platform and print media was fully undertaken. Especially, the launch of our new strategy was well introduced and executed concentrating on brand image, content, customers and clients.

PRINT MEDIA
平面媒體

二〇一五年對我們來說將會是非常不尋常的一年，是充滿挑戰和機遇的重生之年。是我們組織變革最大的一年，更重要的是我們以移動數字化與平面媒體整合，實行跨平臺梯度傳播出版人制元年。

同時也是我們全面貫徹落實我們的新戰略——“品牌為魂，內容為本，用戶為根，客戶為王”的十六字方針的關鍵之年。

REFORMATION
顛覆

We are able to capture the upper trend under the transformation of new technology as a content creator and information provider, as long as we adopt new technology and digital platform with existing resources, not like the others have to reallocate, but maximize. We have the same advantages in talent and platform like the internet-based companies, and we aim to embrace new knowledge everyday.

RENASCENCE
重生

我們是最有機會在移動互聯網大潮中轉型成為贏家的，因為我們本身就是在做資訊行業，只是要去思考如何在資訊科技的背景下和資訊科技平臺上做好資訊產業。不像其他產業需要完全改換行業與產業，並且將其資產處理轉型。這是一項非常大的工程，包括人財物的重新組合與配置。而我們現有的人才和平臺與現在的所謂互聯網大企業實質上沒有太大的差別。關鍵是我們如何努力不懈去學習和思考並持之以恒，每天都盡力做到最好。

MEDIA ART:Chen Xiaoyun,2014,Photography

TRANSFORMATION ERA
變革時代

Modern Media aims to be the leading media company with international version, high-quality contents as well as corporate social responsibility. We encourage everyone to be more innovative, and be faithful to build up the elite culture with a wide sphere of global version, because we believe it will cultivate excellent leaders and employees to be more flexible to adopt changes.

PROMINENT ORGANIZATION
卓越組織

對現代傳播而言，國際化時尚化高品位社會心的DNA永遠不會變；“勇氣沖出智慧門，恒心搭起通天路”的態度文化永遠不會變；精衆精品精英的精度文化永遠不會變；高度角度深度的視野文化永遠不會變。

只有秉持這種文化，才可能培養出適合的領導者、員工和機制，以建立變革時代的卓越組織。

MEDIA ART:Lin Ke,2013,Digital video

PARTNERSHIP

合夥人

As a leader, it is necessary to have the determination to promote internal changes, in order to implement innovation. Employees will no longer be given the direct orders from senior management, instead consider themselves as partner, they will be encouraged to promote their own decisions and ideas.

MANAGER
經營者

企業領導人必須具備改變與推動組織變革的能力，
我們不能靠目前這種組織形態以實現創新。
必須以新的組織形式去讓創新更容易產生和發展，
組織的領導人不能再以發號施令的工作方式去指揮，
應該以“夥伴”的方式去進行工作，
讓員工變成合夥人和經營者。

MEDIA ART:Yang Zhenzhong,2012 Electronic Installation

周末畫報助理出版人兼iWeekly總編輯

李照興

Bono Li

Assistant Publisher of Modern Weekly & Editorial Director of iWeekly

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

楊瑩

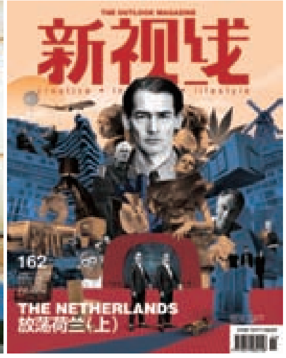
Amy Yang

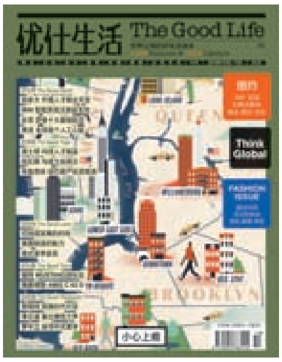
Executive Director, General Manager of Shanghai Office, Publisher of Modern Lady & iLady365, Publisher of IDEAT CHINA

董事會主席兼行政總裁
邵忠
Shao Zhong
Chairman & CEO

副總裁
蔣璐陽
Luyang Jiang Hildebrandt
Vice President

MEDIA ART:Ryan Gander,2013,Acrylic on Mirrored Glass



MILESTONE

新的里程碑

In 2015, Modern Media announced a new Board of Directors, it means we determine to conduct thorough reformation in order to be more innovative to face the variables in global media market.Modern Media is a local leading media company with global version, creating high quality contents covering culture, art, fashion, lifestyle and business. We created the first local paperzine - Modern Weekly, and the first mobile app magazine iWeekly. We have unique talents
both from local and global, as well as long-term partnership with international media. As we should be firm in determination in exploration and practice, we will continue to work wonders.

LEADERSHIP
領先地位

現代傳播宣布了新的一屆董事會，這標志著現代傳播自2009年上市以來邁向了一個新的里程碑。面對全球媒體變革和創新的形勢，決定方向的不是別人，正是我們自己。2015年是我們生死存亡的關鍵年，無論市場環境和我們自身的發展都面臨嚴峻的挑戰，為此我們必須因應新的現實進行徹底的變革與創新，加快改造自我的脚步。我們是一間有23年歷史的本土最國際化媒體集團，無論在文化、藝術、時尚、創意、商業等各個領域均處於全國領先地位。
我們首創了報紙式雜誌《週末畫報》，也首創了APP雜誌「iWeekly」，
我們的創新精神、學習精神、先鋒性是毋庸置疑的。
同時，我們也擁有國際化的人才資源和全球性的合作資源，這些聚合形成了我們的核心競爭力，也是我們的制勝法寶。所以只要我們堅信自己的價值，不斷勇于探索和創新，就一定能够衝破各種艱難險阻，再創奇迹。

SOPA is a non-profit making organization based in Hong Kong and
representing international, regional and local media companies across Asia.
The Society of Publishers in Asia is also host to the prestigious annual
SOPA Awards for Editorial Excellence which serve as
the world-class benchmark for quality journalism in Asia

亞洲出版業協會(簡稱SOPA)作為非牟利團體，協會總部設在香港，
代表了許多國際性、區域性、本地及環繞亞洲的媒體機構，
協會每年均頒發向負盛名的卓越新聞獎，
為亞洲新聞報道定下世界級標準及表揚亞太區出色的傳媒工作。

PRINT MEDIA EXCELLENCE AWARDS
平面媒體 卓越獎項




2015年現代傳播集團出品刊物喜獲多項亞洲出版業協會(The Society of Publishers in Asia)卓越獎項

《新視綫》2014年1月8日《東京(上)》獲2015年度卓越雜志設計獎

The Outlook Magazine，Jan 8 2014Excellence in Magazine Design AWARD FOR EXCELLENCE

《新視綫》2014年1月5日《東京(上)別冊》獲2015年度卓越特寫攝影獎

The Outlook Magazine，Jan 5 2014Excellence in Feature Photography AWARD FOR EXCELLENCE

《樂活》2014年1月7日《食與器》獲2015年度卓越生活時尚報道獎

LOHAS, Jan 7 2014Excellence in Lifestyle Coverage AWARD FOR EXCELLENCE

《藝術界》2014年11月/12月《烏龍學院》獲2015年度卓越雜志設計獎榮譽獎

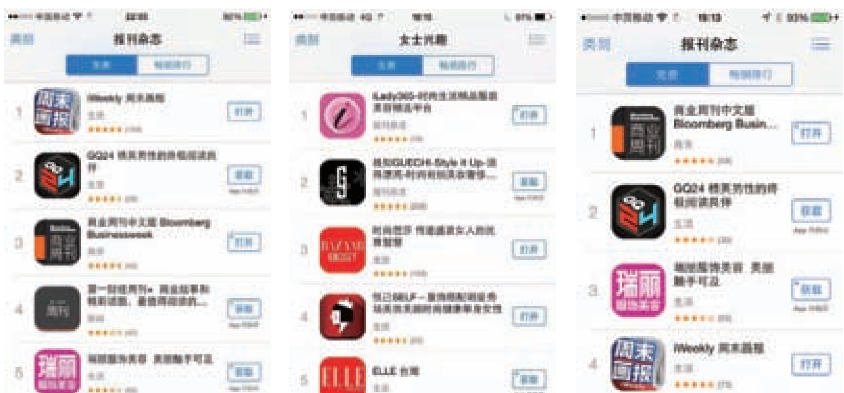
LEAP，Nov/ Dec 2014Excellence in Magazine DesignHONOURABLE MENTION

iLady, as the leading digital platform, has accumulated 4 million female users in China. Last year, it provided total 1,200 fashion news, with 18 million views, along with 5 million new registers.
After one week launching the updated version of iLday365,
it became the most popular app of lady sector in App store.

DIGITAL MEDIA MARKET LEADER

數字媒體 獨佔鰲頭

現代傳播集團旗下數字媒體平臺「iLady」優家畫報APP已經陪伴近
四百萬中國女性走過兩個365天，「iLady」在這一年365天裏，
呈現了1,200篇時尚資訊，獲得了18,685,980次文章閱讀，
擁有5,000,000的新增用戶，在兩周年的生日慶典之際，
我們將全新升級改版為「iLady365」，
讓我們的產品更具有移動互聯網瞬息萬變的速度！
「iLady365」APP更名才一周已經榮登APP Store女仕專櫃第一名的位置！



BUSINESS DESIGN
設計商業

Modern Media combines aesthetics, context and story with lifestyle, attitude and time spirit to educate customers, and diffuse the contents by various media channels. Our strength is creating fashionable and high quality media platform to create the best image of our clients.

CORE COMPETENCY
核心競爭力

現代傳播用不同的平臺內容價值觀、審美、語境和故事，及其所代表的生活方式、生活態度、時代精神去教育消費者，用各種現代化的傳播手段和網絡去覆蓋傳播。

為品牌做到又好看又好賣，幫助客戶做品牌美化的工作。通俗的説法就是幫助客戶做包裝，賦予品牌更美好的形象和故事及意義。我們的强項就是用不同的方法去做，把很多產品變得很美，用精美時尚高品位以及國際化的媒體環境去襯托客戶品牌，“有境界，有格局！”

MEDIA ART:Liu Wei,2014,Video installation

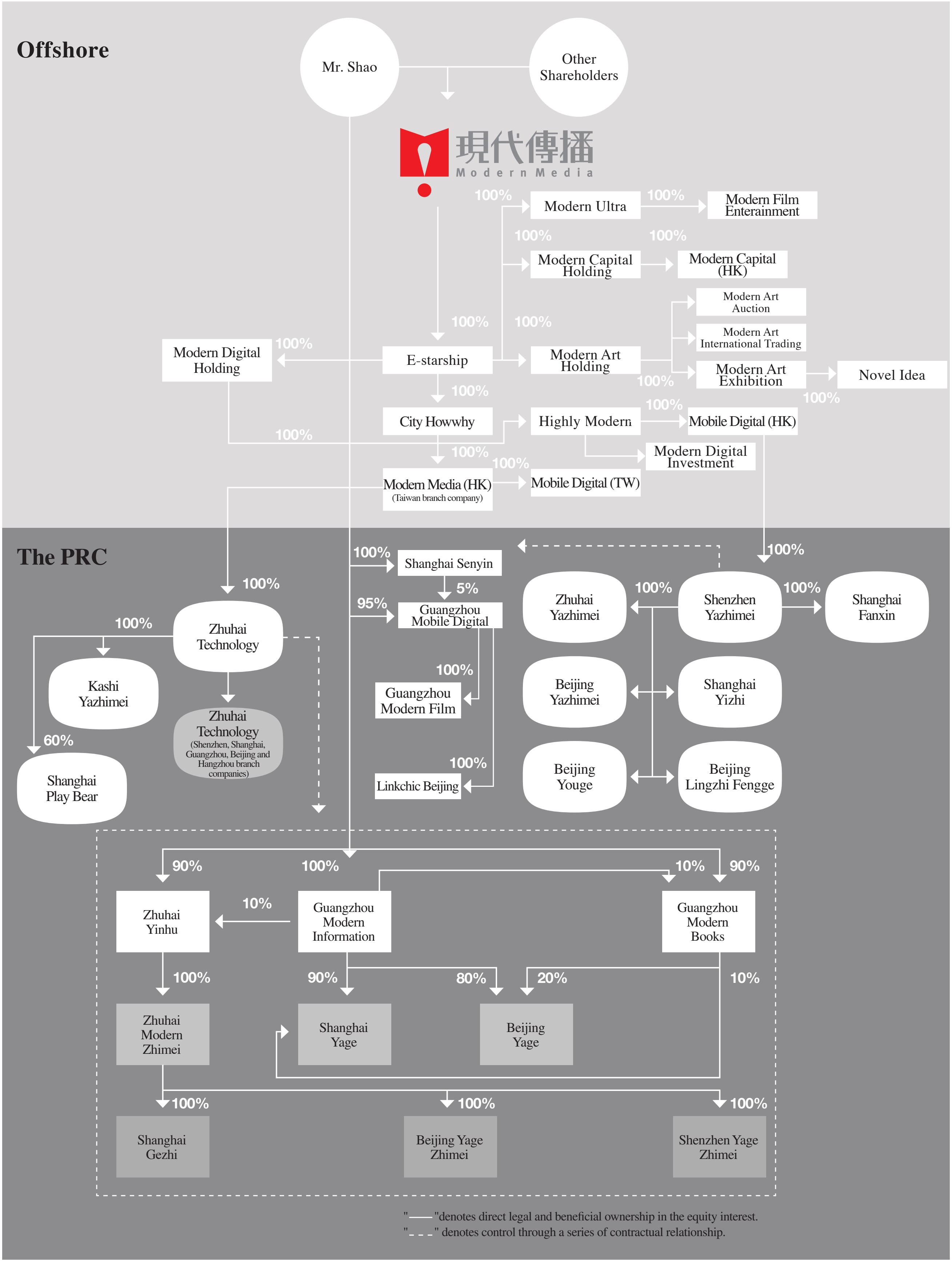
LOOK AHEAD
心向未來

Modern Media is dedicated to creating
the future magazine with aesthetics and innovation,
especially how to emerging elite culture and massive culture
into print media at the era of mobile Internet.
Our goal is to create the best magazine by observing
this generation at this age.

THINK DIFFERENT
不同凡“想”

現代傳播對未來雜誌在創造力美學的探索，
特別是在移動互聯網大潮中平面雜誌如何保持其言志和品味與
商業主流不同流的精英氣質又能擁抱屌絲文化，
格外難能可貴。我們的目標並不在於製造出市場上
最廉價的產品，而是製造出最優良的產品。
洞悉一代人、一個時代非常重要。

Corporate Structure



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

Mr. Li Jian

Non-executive Director

Dr. Cheng Chi Kong

Independent Non-executive Directors

Mr. Jiang Nanchun

Mr. Wang Shi

Mr. Au-Yeung Kwong Wah

AUDIT COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*,

Mr. Jiang Nanchun, Mr. Wang Shi

REMUNERATION COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*

Mr. Wong Shing Fat, Mr. Jiang Nanchun

NOMINATION COMMITTEE

Mr. Wang Shi *(Chairman)*

Mr. Au-Yeung Kwong Wah, Mr. Jiang Nanchun

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Shao Zhong

Mr. Mok Chun Ho, Neil

Board of Directors
董事會

執行董事/北京地區總經理，
《商業周刊/中文版》出版人

李劍

Patrick Li

Executive Director/General Manager of Beijing Office, Publisher of Bloomberg Businessweek/China《商業周刊/中文版》

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

楊瑩

Amy Yang

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

財務總裁，公司秘書兼執行董事

莫峻皓

Mok Chun Ho, Neil

CFO, Company Secretary & Executive Director

董事會主席兼行政總裁
邵忠
Shao Zhong
Chairman & CEO

董事會副主席暨集團出版人
黃承發
Wong Shing Fat
Vice Chairman & Group Publisher

MEDIA ART:Liu Wei,2014,Video installation

Corporate Information (continued)

AUDITORS

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7th Floor, Global Trade Square
21 Wong Chuk Hang 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)

Corporate Information (continued)

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

Stock code: 72

WEBSITE

www.modernmedia.com.cn

Chairman's Statement

主席報告

村上隆作品

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Modern Media Holdings Limited ("Modern Media" or the "Company"), it is my great pleasure to announce the results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

Looking back to 2015, global economic performance remained sluggish. Rate hike by the US Federal Reserve and extended volatility of the global financial market further dampened market confidence. The United Kingdom's referendum of leaving the European Union also posed uncertainties to the global financial market. China's economic growth further decelerated for the year and its Gross Domestic Products ("GDP") growth decreased from 7.6 % in 2014 to 6.9 % in 2015. Moreover, an acute slump in China's securities market and deteriorating consumer confidence aggravated the already grim situation in many industries. Among others, the retail market and the advertising industry bore the brunt of the slowdown and the development of advertising agencies and media operators was severely impacted.

In recent years, the PRC government had pressed on with its anti-corruption crackdown which further weakened the sentiment of the retail market. Brand advertisers in the PRC became more and more cautious with their advertising spending. However, the Group adjusted its business operation model in response to market development trend and eagerly embraced media diversification, resulting in stable progress for its business and a fair financial result throughout the year. Under the challenging economic environment, the Group's turnover slightly decreased by 1.3% to approximately RMB595.7 million (2014: approximately RMB603.8 million). Profit amounted to RMB20.6 million (2014: approximately RMB37.8 million). Earnings per share amounted to RMB0.05 (2014: RMB0.09). The directors of the Company (the "Directors") proposed to declare a final dividend of HK2.5 cents for the financial year ended 31 December 2015 (2014: HK2.5 cents) per share.

In respect of the core magazine business, "Modern Weekly", the Group's largest income source and flagship magazine, experienced a slight revenue setback due to the recession in the advertising market of luxury brands for the year. However, "Modern Weekly" still ranked no. 1 in 2015 in terms of revenue in weekly magazine market according to the audit report prepared by Admango. It has consolidated irreplaceable position to most of the print media brand advertisers while many other print competitors were still struggling in the matter of survival.

The revenue of another flagship magazine, "Modern Lady Weekly", was also affected under the downward trend of macro environment in magazine market. However, it retained its strong position in the sector and ranked no. 2 in 2015 in terms of circulation among all women lifestyle magazines in the PRC. The Group is determined to implement development strategies to diversify its business and operations to keep abreast of times. With its decisive instinct, the Group has successfully organized a series of marketing events through the readers' club, namely "You Jia Hui" (優家薈) in 2015, which were well-accepted by readers and received positive feedback from members of "You Jia Hui" (優家薈). They created synergy effect on the online and offline promotion. Even more encouraging is that the members of "You Jia Hui" (優家薈) have increased significantly in recent years and the club membership fees had created additional income stream of the Group starting from 2015.

Upholding its principle of internationalization, fashionalization, and refined taste, Modern Media strives to explore and expand into the international magazine market. During the year, while most of our competitors had seen their revenue shrunk, our flagship business magazine "Bloomberg Businessweek/China" (Simplified Chinese edition) managed to increase its advertising revenue as compared to that of 2014. Comparing with 40 other business and financial magazines in circulation, "Bloomberg Businessweek/China" (Simplified Chinese edition) ranked third in terms of advertising revenue (all categories), up from the fifth place in 2014. Meanwhile, several marketing campaigns had been organized and launched during the year to exceptional effect and gained wide recognition from the industry. They included the "Top Fund Award", the "Young Entrepreneur Forum" and "The Year Ahead". The success of our marketing activities fuelled the operating revenue of "Bloomberg Businessweek/China" (Traditional Chinese edition) to surge by more than 80% compared to previous year.

In view of reinforcing its strategic print media portfolio, the Group launched a new high-end magazine "IDEAT" to the PRC market in April 2015 with high quality contents focusing on lifestyle and interior design. The new title was created to satisfy the diversified demands of elite class readers from different ethnic and social segments.

Leveraging on our significant influence amongst the culture and arts industry in various Chinese-speaking regions, the Group believes it is the right time for us to press ahead for a forceful expansion into the arts media platform to gain and accumulate resources and experience in the arts segment. During the year, through advertising revenue and event income from our art-related magazines — "LEAP" and "the Art Newspaper", and the income from selling of artworks, the art business had contributed revenue of RMB47.6 million. We believe that the art business will develop into another income driver of the Group. Thus, in the future, the Group will implement an aggressive plan to expand in the field of art exhibition, online auction of artworks and art education, whilst continue to seek business opportunities in artwork trading.

Mobile digital media is increasingly developing into an omnipresence in daily life of modern people riding on the ongoing development in technological innovation in, inter alia, the mobile internet technology. We are well-equipped to respond to such evolving market trend and have actively established a digital media platform business alongside with our print media regime, and have further optimised our mobile media applications portfolio. During the year, downloads of "iWeekly", our flagship mobile App, increased by more than 10% when compared to 2014, which not only enabled it to appeal to a wider spectrum of readership, but also secured for its recognitions as one of the most successful Chinese media Apps on both Apple iOS and Android platforms. In the coming year, "iWeekly" will keep improving and spicing up its content so as to attract advertising customers of a wider variety, which will continue to generate stable revenue for the Group. Meanwhile, number of users of "Bloomberg Businessweek 商業周刊中文版" and "iLady365", two other flagship Apps of the Group, recorded an increase of over 30% over the corresponding period in last year. Our "Bloomberg Businessweek 商業周刊中文版" App has been well received by users ever since its launch to the market and was elected as one of the Best Apps in Apple's AppStore in the fourth quarter of 2013. Its iPhone version ranked top 10 in terms of sales volume of magazines and newspapers category on AppStore. With its solid leading position in the market, "Bloomberg Businessweek 商業周刊中文版" posted a revenue increase close to 50%, reflecting the recognition from readers and advertising agencies, and would remain an important income generator in our digital media operation. "iLady365" is our comprehensive informative platform for elite women and it is gradually transforming into a vertical e-commerce platform for fast fashion focusing on mix and match. By offering the "Ready-to-Buy" digital media experience to users, "iLady365" was well-accepted by both the users and brand advertisers. We will leverage on the rising popularity of e-commerce and the underlying opportunities and launch an innovative application to establish a diversified business model covering shopping guide e-commerce, brand consulting and other value-added services, thereby setting up a community platform for sharing, communication, experience and shopping online and offline.

TV media business plays an essential role as a value-added complement for the Group's provision of integrated marketing solutions. It focuses on the production of customised TV programmes for brand advertisers. the Group will look for better ways of optimizing cost structure to achieve better operating result. We expect that the TV team will deliver an optimal operating result in the coming years.

Looking forward to 2016, the macroeconomic situation around the globe is still pessimistic. The economic shock in 2015 will entail a more challenging year for China. Given the continuing digital onslaught against global traditional media, the Group will closely monitor the situation and act with caution in times of hardship for the industry. Notwithstanding the market environment, competition also represents new market opportunities and elimination of sub-standard industry players. Modern Media will adhere to our position as a media platform for Chinese elite culture with trendy, high quality, internationalization and social responsibility as the core corporate values and "High Taste, High Touch, High Tech" as its core competitiveness.

In addition to providing continuous media service covering regional, national and international brands to existing customers with lifestyle and innovation marketing, we will strive to broaden our client base more comprehensively. On one hand, we will adhere to the principle of "professional content creation" in order to provide high-quality and comprehensive content product for users and offer a wide range of marketing solutions in respect of brand consultation, creative planning, advertising production for various brands. On the other hand, we will carry out functional and application upgrades on the mobile apps of our leading digital products such as "iWeekly", "Bloomberg Businessweek 商業周刊中文版", "iLady365" with a view to providing more interactive functions to optimize user experience and attract more new users.

In the coming year, in respect of market development of video, we will continue to produce customised TV programmes for brand advertisers, as well as produce wide-ranging video programmes in respect of commerce, finance, arts, lifestyle and dramas. We will integrate the Group's exclusive team of creation, production and marketing, and leverage the strengths of our platforms, so as to broaden the source of revenue of the video team and enhance its competitive edge over the industry players. For internal management purposes, we will streamline our management structure, strictly control costs and expenses, encourage internal departments to come up with technical innovation and develop new business based on the existing value of our platforms. To cater for the rapid development in art markets in the Greater China region, we will also fully leverage the existing strengths of art and commercial media platforms of the Group and play a more active role in commercial art sector through participating in art exhibitions and activities, and providing art consultation service with a view to developing new business models and creating new sources of revenue. The management believes the above strategic plan will set Modern Media on track to long-term healthy development and generate sustainable value for our customers and shareholders.

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

Shao Zhong
Chairman

14 March 2016

Management Discussion and Analysis

RESULT SUMMARY

The global economy still faced crucial challenges with uncertainty and complexity in 2015. The world's three largest economies are undergoing major transitions. The U.S. Federal Government began to taper its quantitative easing policy and tighten its dollar liquidity by raising the interest rate in late 2015. Europe was struggling to preserve the public's confidence in its common currency and the creditability of its institutional issuers. Britain, in particular, threatened with the intention to leave European Community. For the PRC, there were both good and bad news on the economic development in 2015. The year of 2015 was a landmark year on the road to improve its economic structure and start maintaining its economic development under a new normal. China's Gross Domestic Products ("GDP") growth was decreased marginally from 7.6 % in 2014 to 6.9 % in 2015 and it seems that the GDP growth will maintain a similar speed in the coming years. Even the PRC government achieved several milestones in 2015, such as the establishment of the Asia Infrastructure Investment Bank and the recognition of Renminbi to be one of the reserve currency with special drawing rights under the International Monetary Fund. However, the general economic situation still faced many challenges including the irrational slump in its securities market and deterioration of consumers' confidence. The lack of consumers' confidence inevitably had a negative impact on the retail market and also advertising industry as well. Many advertisers and media operators in the region were struggling for their survival in 2015.

In recent years, the PRC government continued on with its anti-corruption crack down which severely impacted the sentiment of the retail market, especially in luxury consumption. Brand advertisers became more and more cautious with their advertising spending and tightened their marketing budgets in the PRC market. Under this situation, the Group managed to deliver a fair financial result throughout the year. For the current reporting year, the Group's turnover amounted to approximately RMB595.7 million, which represented only a decrease of 1.3% as compared with that of year 2014. The Group's three flagship weekly/bi-weekly magazines, "Modern Weekly", "Modern Lady Weekly" and "Bloomberg Businessweek/China" (Simplified Chinese Edition) recorded different performances. "Modern Weekly" and "Modern Lady Weekly" showed a decrease in the turnover when compared with that in 2014 which was affected by the sluggishness of the advertising market in luxury goods. However, "Bloomberg Businessweek/China" (Simplified Chinese Edition) outperformed the market and still maintained a mild increase when compared with that of year 2014. Similarly, the Group's three major Chinese media applications ("App"), namely "iWeekly", "Bloomberg Businessweek 商業周刊中文版" and "iLady365" (Note), also showed different performances. "iWeekly" recorded a decrease in turnover but "Bloomberg Businessweek 商業周刊中文版" achieved year-on-year revenue growths of 47.0%, "iLady365" also recorded a mild increase in revenue in 2015 as compared to that of 2014. The Group's core print media and digital media remained as the major profit contributor, while its TV business maintained a slight loss in the last year. The Group recorded a net profit of RMB20.6 million for the year, with a decrease of 45.5% as compared with that of year 2014.

Note: The application "iLady365" was renamed from "iLady" since August 2015.

At the end of 2015, the Group had strategically regrouped its business into two business segments, namely print media and art, and digital media with television programme production. In 2015, print media remained as the major income contributor of advertising revenue while digital media continued generating additional revenue to the Group. As at 31 December 2015, the segment results are as follows:

	Print Media & Art	Digital Media & TV	Total
	RMB'000	*RMB'000*	*RMB'000*
2015			
Reportable segment revenue	484,064	89,145	573,209
Reportable segment profit before tax	21,598	3,483	25,081
Segment EBITDA	38,848	16,940	55,788
2014			
Reportable segment revenue	496,337	100,745	597,082
Reportable segment profit before tax	35,324	10,739	46,063
Segment EBITDA	55,050	23,633	78,683

On the segment results, the segment revenue for the print media & art in 2015 suffered a 2.5% decrease when compared with 2014. Moreover, the segment earnings before interest, tax, depreciation and amortization ("EBITDA") also showed a downward trend when it is compared with the segment profit in 2015 with 2014. On the other hand, the digital media & TV segment recorded a decline in segment revenue by 11.5%. The management of the Group has confidence that the digital media will continue its profitable trend afterwards.

The directors are satisfied with the financial performance under the tough operating environment and also with the achievements of some strategic milestones of the Group in 2015.

(A) BUSINESS REVIEW

(i) Print Media and Art

The overall printed media market followed the downward trend as in the past few years. The total advertising revenue of printed magazine category was decreased by 19.8% as compared with that of 2014, in which all the four major industries recorded a decrease in the advertising spending: the cosmetics industry, the fashion industry, the auto industry and the watch and jewelry industry, all recorded a negative growth, of 20.8%, 24.9%, 20.2% and 12.4%, respectively. The advertising market hence experienced a lusterless performance given the stagnation in retail business.

* *Remark:* Advertising information from the above paragraph is extracted from Advertising Expenditure Report of 2015 produced by CTR China.

The Group commenced in year 2015 with six weekly/bi-weekly and nine monthly/bi-monthly magazines in both the PRC and Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health. In April 2015, the Group launched another high-end magazine that focused on lifestyle and interior design, namely "IDEAT" in the PRC market.

In 2015, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB450.4 million (2014: RMB504.4 million), which recorded a decrease of approximately 10.7% as compared to 2014.

Although the PRC advertising market of magazine category was quite challenging, our Group still made an effort to achieve a satisfactory performance in 2015. The revenue of our flagship magazine, "Modern Weekly", suffered a decease when facing the industrial depression in the overall printed media market. However, it was still ranked no. 1 in 2015 in terms of revenue in weekly magazine market according to audit report by Admango and continuously maintained the top position by most of the print media brand advertisers while many other print competitors were still struggling in the matter of survival. Furthermore, the supplement of "The Art Newspaper" which is an international recognised art informative newspaper had successfully attracted a number of advertising clients including some international auction houses and art galleries. which created extra revenue of more than RMB15.7 million, representing an increase of approximately 143.1 % as compared to 2014.

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

Our flagship business magazine, "Bloomberg Businessweek China" (Simplified Chinese edition) recorded an increase in the advertising performance as compared to 2014 which many other competitors had faced the downward trend in revenue in 2015. By comparing with 40 other business and financial magazines, it ranked no. 3 in 2015 according to audit report by Admango regarding to the advertising revenue in all categories, versus No. 5 in 2014. Moreover, the "Bloomberg Businessweek China" (Traditional Chinese edition) recorded an increase of revenue by RMB3.8 million, which represented a rise of 82.8% when compared with that of last year owing to the increase of marketing awareness after the launching of a series of marketing events including the "Top Fund Awards", "Young Entrepreneur Forum" and "The Year Ahead".

The other monthly or bi-monthly magazines of the Group in the PRC and Hong Kong recorded different operating performances. Some titles, such as "Life", "LEAP" and "City" magazines etc., recorded better revenue as compared to 2014, whilst the other monthly or bi-monthly titles experienced revenue declines as per the general trend of the overall printed media market. The Group will continue to review such portfolio of magazines and target to attain an optimal operating result in 2016 and onwards.

During the reporting period, the art business had contributed revenue of RMB47.6 million, which included the advertising revenue and event income from our art-related magazines — "LEAP" and "the Art Newspaper", and the income from selling of artworks. In the coming year, the Group is also 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 our management's belief that our art business will become another income generator of the Group in the near future.

(ii) Digital Media & TV

By comparing to the stagnant advertising environment in printed media sector, the overall market sentiment of the digital sector was optimistic. With the Group's strategy to expand the digital media, the Group incurred capital expenditure of RMB7.8 million to maintain and conduct major upgrades on existing Apps.

For the year 2015, the number of downloads of "iWeekly" on both smartphone and tablet PC reached approximately 13.0 million together, representing an increase by 11.4% from the year 2014. "iWeekly" continued to be recognized as one of the most successful Chinese media Apps on both Apple iOS and Android platforms. The advertising revenue of "iWeekly" in 2015 was however decreased when compared with that of 2014. It was because some of the advertising clients belonged to the luxury sector and were deeply affected by market slowdown in their retail business. "iWeekly" will undergo a content revamp which target to attract some more advertising clients from different sectors and also in the meantime to enlarge the readers' base and to increase their adherence.

"Bloomberg Businessweek 商業周刊中文版" successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 6.4 million, which represented an increase by 34.1% from the year 2014. Further, "Bloomberg Businessweek 商業周刊中文版" was recommended to be one of the Best Apps for the 4th quarter of year 2015 in Apple's AppStore. The iPhone version was within the Top 10 list in Newsstand Top Grossing List in AppStore and, "Bloomberg Businessweek 商業周刊中文版" also got the Top 1 ranking for a long period of time in 2015. The advertising revenue of "Bloomberg Businessweek 商業周刊中文版" achieved a year-on-year increase by 47.0% in 2015 which it outperformed among many competitors in the market. Obviously, "Bloomberg Businessweek 商業周刊中文版" achieved a leading position and was well received by both the readers and advertisers.

"iLady365" already accumulated more than 4.5 million users on both smartphones and tablet PC as at the end of 2015 which represented an increase by 36.4% when compared with that of 2014. By offering the unprecedented "Ready-to-Buy" digital media experience to users, "iLady365" was well-accepted by both the users and brand advertisers. "iLady365" recorded a mild increase in advertising revenue in 2015 as compared to 2014. It indicated that the advertisers appreciated the direct promotional solution provided by the App. Meanwhile, "iLady365" has been gradually transformed into a vertical e-Commerce platform for fast fashion supported by mix-and-match themes in 2015. We believe that "iLady365" is a strategic move for the Group to ride on the recent trend of e-Commerce outbreak and will also become another income generator in the coming future.

Besides, the Group two more important Apps in the digital platform of the Group, namely "LOHAS" and "iArt" which accumulated the number of downloads on both smartphones and tablet PC by approximately 3.4 million and 2.4 million respectively as at the end of 2015. It is anticipated that those Apps will create additional advertising opportunities when the user base being further enlarged in the future.

Given the expansion plan in progress, the Group's digital media business maintained its profitability in year 2015. The management team is confident that the continuing growth in downloads of our App products will make us a leading digital platform, and will further generate considerable revenue in future. We believe that the operations of the digital media segment will be on the right track and continue to deliver satisfactory operating results in the coming years.

The TV team created value-added series by focusing on customized production for its brand advertisers. TV business achieved a revenue of RMB9.1 million in 2015 (2014: RMB10.8 million) which represented a decrease of approximately 15.7% when compared with that of 2014. Looking forward, the Group's TV business will continue this business model and focus on customized production for advertisers in future and will look for ways of optimizing cost structure to achieve better operating result. Hence, the Group believed that TV team will deliver an optimal operating result in the coming years.

(B) BUSINESS OUTLOOK

Looking forward to 2016, the macroeconomic situation around the globe is not optimistic. The economic shock in 2015 will entail a more challenging year for China. For global media industry, some of the famous traditional media both within and outside China over the past year were closed or shutdown, leading to serious loss of media players. The market will still face a bleak winter in 2016 with a drop in traditional advertising, which has been our major income source. The market will probably undergo transformation while new profit-making model is yet to form.

Notwithstanding the market environment, competition also represents new market opportunities and elimination of sub-standard industry players. With the rise and impact of new media over the past few years, there saw an obvious trend in the demand of the general public, especially consumers of elite class, shifting from "fragmented information consumption" to "looking for high quality content". Thus, we will adhere to our position as a media platform for Chinese elite culture with trendy, high quality, internationalization and social responsibility as our core corporate values and "High Taste, High Touch, High Tech" as our Group's core competitiveness.

Luxury brands, the primary client base of the Group, will also be subject to market adjustment this year under the influence of macroeconomics and regional economies. In view of this, we will closely monitor the situation and act with caution. In addition to providing continuous media service covering regional, national and international brands to existing customers with lifestyle and innovation marketing, we will strive to broaden our client base more comprehensively. For instance, the magazine "IDEAT" has been featured in professional exhibitions like "Design Shanghai" as an official partner media. This has not only promoted the magazine and tagged it into the design sector, but also expanded its business channels through offline cooperation and activities.

Throughout 2015, we are delighted to see steady development of our digital media business and growing customer demand. As mentioned in the Company's announcement dated 3 December 2015 and other previous announcements concerning the proposed spin-off of the digital and television businesses of the Group, in respect of the decision given by the Listing Division that the spin-off proposal did not meet two of the requirements laid down in Practice Note 15 of the Listing Rules (which decision was upheld by the Listing Committee), such decision was overturned by the Listing (Review) Committee. Following that, the Company has been continuing with the relevant work regarding the proposed spin-off, which may or may not finally proceed. The Group is undergoing in-depth market research and analysis as well as formulating strategies for the digital media business segment. We will continue to position our Group as a platform for the online media of Chinese elite culture by adhering to the principle of "professional content creation" in order to provide high-quality and comprehensive content product for users and offer a wide range of marketing solutions in respect of brand consultation, creative planning, advertising production for various brands. Moreover, we will carry out functional and application upgrades on the mobile apps of our leading digital products such as "iWeekly", "Bloomberg Businessweek 商業周刊中文版", "iLady365" with a view to providing more interactive functions to optimize user experience and attract more new users.

Since the establishment of the video team of Modern Media, not only has it accumulated extensive experience, but also developed into a well-established team with stable client base. Over the past year, there was a pressing need for high-quality video content in the market. We will grasp such opportunity to tap into a new market of video content production by giving full play to the experience of our team and taking advantage of the integrated platforms of the Group. In the coming year, apart from continuing the production of customised TV programmes for brand advertisers, we will also produce wide-ranging video programmes in respect of commerce, finance, arts, lifestyle and entertainment segments. We will integrate the Group's exclusive team of creation, production and marketing, and leverage the strengths of our platforms, so as to broaden the source of revenue of the video team and enhance its competitive edge over the industry players.

In 2016, for internal management purposes, we will streamline our management structure, strictly control costs and expenses, encourage internal departments to come up with technical innovation and develop new business based on the existing value of our platforms. We will continue to foster the implementation of vertical industry chain integration, upgrade and optimize the existing assisted purchase feature on e-commerce, enhance online and offline activity and experience, and develop the integrated marketing brand consultancy service in a more comprehensive manner, in addition to using the traditional advertising channels. To cater for the rapid development in art markets in the Greater China region, we will also fully leverage the existing strengths of art and commercial media platforms of the Group and play a more active role in commercial art sector through participating in art exhibitions and activities, and providing art consultation service with a view to developing new business models and creating new sources of revenue.

(C) FINAL DIVIDEND

The Directors proposed to declare a final dividend of HK$2.5 cents (2014: HK$2.5 cents) per share, amounting to approximately HK$11.0 million. Subject to the approval of the shareholders of the Company ("Shareholders") at the forthcoming annual general meeting ("AGM"), the proposed dividend will be payable to Shareholders whose names appear on the register of members of the Company on 13 May 2016 and payable on 3 June 2016. This proposal is subject to Shareholders' approval at the AGM to be held.

(D) BOOK CLOSURE

The AGM of the Company is scheduled for 4 May 2016. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 29 April 2016 to 4 May 2016 both days inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 28 April 2016.

The proposed final dividend is subject to the passing of an ordinary resolution by Shareholders at the AGM. The record date for entitlement to the proposed final dividend is 13 May 2016. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 11 May 2016 to 13 May 2016, both days inclusive, during which period no transfer of share will be effected. In order to be qualifying for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on 10 May 2016. The payment of final dividend is expected to be made on 3 June 2016.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow for operating activities of approximately RMB35.3 million (2014: RMB23.2 million), the increase in operating cashflow was largely attributable to the decrease in tax payment in 2015. On the other hand, the Group's cash outflow from investing activities amounted to RMB59.3 million (2014: RMB38.2 million) which was mainly attributable to the investment in fixed assets of RMB15.5 million on purchase of furniture, fixtures and equipment for operation, and investment of RMB16.3 million on software development. The cash outflow of the Group from financing activities amounted to RMB19.0 million (2014: RMB7.1 million) which was mainly owing to the payment of dividend of RMB8.6 million and purchase of shares for the share award scheme of RMB5.5 million.

Borrowings and gearing

As at 31 December 2015, the Group's outstanding borrowings was approximately RMB120.3 million (2014: RMB116.3 million). The total borrowings comprised secured bank loans of approximately RMB68.4 million (2014: RMB57.0 million) and other unsecured bank loan of approximately RMB52.0 million (2014: RMB59.3 million). The gearing ratio as at 31 December 2015 was 17.7% (31 December 2014: 17.1%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2015, the total debts of the Group were repayable as follows:

	2015 RMB'000	2014 RMB'000
Within 1 year or on demand	93,457	68,026
After 1 year but within 2 years	1,952	4,772
After 2 years but within 5 years	6,133	13,608
After 5 years	18,792	29,938
	26,877	48,318
	120,334	116,344

CAPITAL EXPENDITURE

Capital expenditure of the Group for the year ended 31 December 2015 included expenditure on fixed assets, intangible assets and software development of approximately RMB32.0 million (2014: RMB43.6 million). Major expenditure included the purchase of furniture, fixtures and equipment, and development cots for mobile applications and websites.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing supplier to secure the banking facilities and printing credit line, as at 31 December 2015, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2015, the Group's bank loan of RMB28.8 million and loan from developer of RMB14.6 million were secured by a mortgage over the Group's property in Hong Kong, guaranteed by Mr. Shao, the controlling shareholder of the Group, and Ms. Zhong Yuanhong, a member of senior management of the Group. In addition, the Group's bank loan of RMB25 million was secured by the Group's office property in Beijing and guaranteed by Mr. Shao.

As at 31 December 2015, the Group's printing credit line in an amount of approximately HK$12.0 million was secured by corporate guarantee given by the Company.

FOREIGN EXCHANGE RISKS

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the year 2015.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2015, the Group had a total of 992 staff (2014: 1,059 staff), total staff costs (including Directors' remuneration) were approximately RMB211.2 million (2014: RMB215.5 million). The emoluments of the Directors are reviewed by the Remuneration Committee. The decrease in head counts was due to the restructuring of sales and editorial staff to further improve the corporate efficiency.

To recognize and reward the contribution of eligible employees for contributing to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an employee share award plan on 3 December 2009. The Plan has become effective on 7 December 2009. The Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the year 2015, the Company contributed RMB5.5 million to the Plan to acquire shares of the Company. During the year ended 31 December 2015, 1,780,000 shares were awarded and vested to selected employees, under the Share Award Plan, as approved by the Board of Directors of the Company.

Corporate Governance Report

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

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report discloses how the Company has applied the principles of the CG Code for the year ended 31 December 2015.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

The Board recognizes its responsibility to act in the interests of the Company and its shareholders as a whole. At 31 December 2015, the Board has nine Directors: five Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Independent Non-executive Directors represent one-third of the Board.

During the reporting period,

(a) Mr. Cui Jianfeng, a then executive Director, tendered his resignation as an executive Director with effect from 31 August 2015 due to Mr. Cui's decision to spend a part of time on personal matters;

(b) Ms. Yang Ying was appointed as an executive Director with effect from 1 September 2015;

(c) Mr. Li Jian (李劍) was appointed as an executive Director with effect from 1 September 2015; and

(d) Mr. Li Jian (厲劍), a then non-executive Director, tendered his resignation as a non-executive Director with effect from 19 November 2015. Prior to that, Mr. Li was re-designated from being an executive Director to a non-executive Director with effect from 15 July 2015.

Corporate Governance Report *(continued)*

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

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

Non-executive Director
Dr. Cheng Chi Kong

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

The biographies of all the Directors, including their relationships, are set out on pages 57 to 59 of this Annual Report. Mr. Shao Zhong is the chairman of the Board and the Chief Executive Officer of the Group, who has actively involved in the Group's restructuring, business transformation, development of art business and diversified development of the Group's business. Mr. Wong Shing Fat, the vice chairman of the Group, oversees the daily operation and management of the Group's business with the assistance of the Group's senior management team. He also provides support to Mr. Shao in respect of the expansion and development of the Group's business. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

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

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

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

As at 1 September 2015, the Board comprised of five executive Directors, two non-executive Directors and three independent non-executive Directors which such composition fell short of the requirement specified in Rule 3.10A of the Listing Rules, requiring the number of independent non-executive directors of an issuer must represent at least one-third of the board. On 19 November 2015, Mr. Li Jian (厲劍), one of the then non-executive Directors, resigned from his office. As at and since 19 November 2015, the Board comprised of five executive Directors, one non-executive Director and three independent non-executive Directors. In such connection, the Company, in accordance with Rule 3.11 of the Listing Rules, has become in compliance with the requirement of having sufficient number of independent non-executive directors within three months after failing to meet the requirement. The Company has complied with Rule 3.10A of the Listing Rules since 19 November 2015.

Board Proceedings

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

Name of Directors	Number of meetings attended during 2015	Number of meetings held during 2015 (or during the tenure of the respective director, as the case may be)
Executive Directors:		
Shao Zhong (邵忠)	5	9
Wong Shing Fat (黃承發)	7	9
Li Jian (厲劍) (re-designated from an Executive Director to a Non-Executive Director on 15 July 2015, then resigned on 19 November 2015)	4	8
Mok Chun Ho, Neil (莫峻皓)	9	9
Cui Jianfeng (崔劍鋒) (resigned as Executive Director on 31 August 2015)	4	6
Yang Ying (楊瑩) (appointed as Executive Director on 1 September 2015)	0	2
Li Jian (李劍) (appointed as Executive Director on 1 September 2015)	0	2
Non-executive Directors:		
Cheng Chi Kong (鄭志剛)	2	9
INEDs:		
Wang Shi (王石)	0	9
Jiang Nanchun (江南春)	0	9
Au-Yeung Kwong Wah (歐陽廣華)	8	9

Notes

1: On 3 December 2009, the Board resolved that, for transactions falling under Chapter 14 of the Listing Rules but with the amount involved less than HK$20 million and that all relevant percentage ratios not exceeding 5%, the same may be approved by any two Executive Directors, provided that within 5 working days from the date of signing of the agreement(s) for the transaction, a copy of such agreement(s) must be circulated to all Directors (including Independent Non-executive Directors). Out of the 9 Board meetings held, 1 falls within such category of meeting.

2. During the financial year ended 31 December 2015, the Board has circulated and passed a written resolution on 2 occasions which are dated, 21 April 2015 and 25 December 2015, respectively, apart from the physical board meetings stated above.

3. The annual general meeting of the Company for year 2014 was held on 21 April 2015 and each of Mr. Shao Zhong, Mr. Wong Shing Fat, Mr. Li Jian (厲劍), Mr. Mok Chun Ho, Neil, Mr. Cui Jianfeng and Mr. Au-Yeung Kwong Wah attended the said general meeting.

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

Appointment, Re-election and Removal of Directors

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

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

Corporate Governance Report *(continued)*

Induction and Continuing Development of Directors

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

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

Name of Director	Reading materials relevant to the Company's business or to their duties and responsibilities	Attending training courses on the topics related to corporate governance or regulations
Executive Directors:		
Shao Zhong (邵忠)	✔	✔
Wong Shing Fat (黃承發)	✔	✔
Li Jian (厲劍) (re-designated from an Executive Director to a Non-Executive Director on 15 July 2015, then resigned on 19 November 2015)	✔	✔
Mok Chun Ho, Neil (莫峻皓)	✔	✔
Cui Jianfeng (崔劍鋒) (resigned as Executive Director on 31 August 2015)	✔	✔
Yang Ying (楊瑩) (appointed as Executive Director on 1 September 2015)	✔	✔
Li Jian (李劍) (appointed as Executive Director on 1 September 2015)	✔	✔
	✔	✔
Non-executive Directors:	✔	✔
Dr. Cheng Chi Kong (鄭志剛)	✔	✔
	✔	✔
INEDs:	✔	✔
Mr. Wang Shi (王石)	✔	✔
Mr. Jiang Nanchun (江南春)	✔	✔
Mr. Au-Yeung Kwong Wah (歐陽廣華)	✔	✔

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

Remuneration of Directors and Senior Management

The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the year are set out, on an individual and named basis, in note 35(a) to the financial statements of this Annual Report on page 162. The remuneration policy of the Group is set out on page 79 of this Annual Report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors & Senior Management" in this Annual Report by band is set out in note 9 to the financial statements of this Annual Report on page 125.

Independence of Independent Non-executive Directors

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

Other matters relating to the Board

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

CHAIRMAN AND CHIEF EXECUTIVE

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

Mr. Shao is the Chairman and Chief Executive Officer of the Company. The Board believes that with the support of the management, vesting the roles of both chairman of the Board and Chief Executive Officer in Mr. Shao, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Mr. Wong Shing Fat, the vice chairman of the Group oversees the daily operation and management of the Group's business with the assistance of the Group's senior management team. The Board therefore considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The balance of power and authority is also ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. There is a strong independent element in the composition of the Board. Out of the 9 Board members, 4 are non-executive Directors, including 3 Independent Non-executive Directors. The Board believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently and the interests of the Shareholders will be adequately and fairly represented. The Board believes that Mr. Shao's appointment to the posts of Chairman and the Chief Executive Officer is beneficial to the business prospects and management of the Company.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Company has first established an audit committee ("Audit Committee") in 2009 with written terms of reference. Latest terms of reference of the Audit Committee, a copy of which is posted on the website of the Company and the Stock Exchange, has been adopted by the Board on 25 December 2015 to be in line with the provisions of the CG Code. The Audit Committee currently comprises three Independent Non-executive Directors, namely, Mr. Au-Yeung Kwong Wah (chairman of the Audit Committee), Mr. Wang Shi and Mr. Jiang Nanchun.

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

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

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

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

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

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

    (ii) Major accounting estimates and judgmental areas;

    (iii) Significant adjustments following the audit;

(iv) The going concern assumption;

(v) Compliance with accounting standards; and

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

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

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

(f) To oversee the Company's financial reporting system and internal control system, and in particular the risk management system for the year commencing 1 January 2016.

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

Name of Directors	Number of Meetings attended	Number of Meetings held during 2015
Mr. Au-Yeung Kwong Wah	2	2
Mr. Wang Shi	0	2
Mr. Jiang Nanchun	2	2

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

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

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

(c) Discuss with the external auditors regarding the nature and scope of the 2015 audit;

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

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

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

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2015.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2015.

REMUNERATION COMMITTEE

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

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

Name of Directors	Number of Meetings attended	Number of Meetings held during 2015
Mr. Au-Yeung Kwong Wah	4	4
Mr. Jiang Nanchun	2	4
Mr. Wong Shing Fat	4	4

Note:

1. During the financial year ended 31 December 2015, the Remuneration Committee has circulated and passed a written resolution on 2 occasions which are dated, 20 July 2015 and 31 August 2015, respectively, apart from the physical meetings stated above.

During the year ended 31 December 2015, the Remuneration Committee performed the following works:

* reviewed and discussed the remuneration policy of the Group and the remuneration packages of directors of the Company;

* determined the remuneration of the executive Directors of the Company;

* reviewed and approved an award of shares under the Company's Share Award Scheme, as approved by the Board of Directors of the Company. Please refer to note 23 to the financial statements of this Annual Report on page 145.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2015 are set out in notes 35(a) and 9 to the financial statements.

NOMINATION COMMITTEE

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

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

Name of Directors	Number of Meetings attended	Number of Meetings held during 2015
Mr. Wang Shi	1	1
Mr. Au-Yeung Kwong Wah	1	1
Mr. Jiang Nanchun	1	1

Board Diversity Policy

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

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

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

INTERNAL CONTROLS

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2015.

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

EXTERNAL AUDITOR

PricewaterhouseCoopers ("PwC) was first appointed as the auditors of the Group in 2014 after the resignation of previous auditors, KPMG. During 2015, PwC provided the following audit and non-audit services to the Group:

	2015 HK$'000	2014 HK$'000
Audit services	2,125	2,246
Other non-audit services	477	442
Total	2,602	2,688

PwC will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in 4 May 2016.

A statement by PwC about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report section of this Annual Report on pages 82 to 83.

COMPANY SECRETARY

The company secretary of the Company, Mr. Mok Chun Ho, Neil, who is also an executive Director, is responsible for supporting the Board, ensuring good information flow within the Board and Board policy and procedures are followed, advising the Board on government matters, facilitating induction and, monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the year. His biography is set out in page 57 of this report.

INVESTOR RELATIONS & SHAREHOLDERS' RIGHTS

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

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

1. Procedure for shareholders to convene an extraordinary general meeting

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

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

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

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

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

2. Procedure for raising enquiries

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

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

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

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

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

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

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

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

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

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

The Company's next annual general meeting will be held on 4 May 2016 at 7/F., Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association ("Articles") of the Company were last amended pursuant to a special resolution passed on 28 May 2012. The latest Articles are available on the HKEx's and Company's websites. There were no changes to the Company's Articles during the year 2015.

CONCLUSION

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

Corporate Social Responsibility Report

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

AWARDS ON PUBLICATIONS/MOBILE APPS

The following awards were granted by the Society of Publishers in Asia in 2015:

Award for Excellence — Lifestyle Coverage “LOHAS Magazine”

Award for Excellence — Feature Photography “The Outlook Magazine”

Award for Excellence — Magazine Design “The Outlook Magazine”

Honourable Mention — Magazine Design “LEAP”

Film Awards

The film, Love Forever (《我們遇見松花湖》), invested by the Group was awarded Special Contribution Award (特別貢獻獎) in The 24th China Golden Rooster & Hundred Flowers Film Festival (第24屆中國金鷄百花電影節) held on September 2015.

COMMITMENT TO CHARITIES

- ### Education

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

- ### Charitable Caring Bear Project

In 2015, "Modern Lady Weekly", the Group's publication targeting elite women, launched a joint-hand program "iLady Caring Bears for Children from Remote Mountain Area" (iLady愛心小熊關愛山區留守兒童) with PlayBear, Rende Foundation and volunteers of charity organization Tongxin Yiyou* (童心益游). Through the program, charitable people from all walks of life could directly subsidize one mountain child by ordering their own caring bears, while the subsidized child could get another specific caring bear, a set of bedding and toiletries to better improve their lives.

Corporate Social Responsibility Report *(continued)*

The Charitable Caring Bear Project has lined up with dozens of artists and celebrities as well as several charity organizations, and it was well-supported by charitable individuals from Beijing, Shanghai, Guangdong, Yunnan, Hubei and Jiangsu, benefiting Baifu Primary School (百福小學) and Heping Primary School (和平小學) in Pingbian County, Yunnan, as well as Jiaonong Primary School (脚弄小學) and LiangxinZhai Primary School (良心寨小學) in Yuanyang County, Yunnan. It aimed to create a warm atmosphere for about 500 children staying in boarding schools in mountain area by providing new warm bedding and sets of toiletries in order to improve their basic living condition and offer them a winter filled with loads of love.

- **Promote and Support Woman Entrepreneurs**

During the year, "Modern Lady Weekly" continued to co-organise "The 2nd Spirit of New Woman Award 2015" with Chow Tai Fook in Shanghai and Beijing with great success. Partnering with EFG Entrepreneurship Foundation, Feimalv, 創投圈 (www.vc.cn), 36Kr, Yi Jian* (一見) and girlup start-up workshop* (girlup 美女創新工坊), tremendous effort had been made by the Group to present this event. Through objective and fair assessment by top-tier institutional investors, famous entrepreneur guest judges and top investment analysts, 6 female entrepreneurs were selected out of 32 candidates and received a grand prize. They were given opportunities to receive entrepreneurship coaching and gain venture capital.

The main objective of "The Spirit of New Woman Award" was to promote the message of "Always be yourself, be bold in innovations, and be brave on pursuing your dream" to women. "Modern Lady Weekly" has strived to promote the bold idea of "female entrepreneurship" and provided opportunities for female entrepreneurs to realize their ambitions and fulfil their dreams through "The Spirit of New Woman Award".

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

Biographical Details of Directors & Senior Management

DIRECTORS

Mr. SHAO Zhong (邵忠), aged 55, the chief executive officer and chairman of the Board, who is also the founder of our Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as chairman of the Board and executive Director in July 2009. Mr. Shao was appointed as the chief executive officer in September 2015. Mr. Shao is responsible for the overall corporate strategies, policy-formulating, instilling corporate philosophy as well as the overall management and operation of our Group. Prior to founding our Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Media Leading Icon at China Media Forum in 2010.

Mr. WONG Shing Fat (黃承發), aged 57, the vice chairman of our Group responsible for the corporate and business planning and development. Mr. Wong was appointed as the executive Director of our Group in July 2009. He joined our Group in January 2003 as a chief consultant and also assumed the role as the chief operation officer and was subsequently promoted as the chief executive officer of our Group in September 2006. Mr. Wong was appointed as vice chairman in September 2015. Prior to joining our Group, Mr. Wong undertook senior positions in several international reputable advertising companies and was responsible for the media planning, overall operational management and business development in the greater China region. Mr. Wong has over 29 years of experience in media operation and management of the advertising and media industries. Mr. Wong was granted the "SALUTE" Media Award by the Association of Accredited Advertising Agencies of Hong Kong in 1996 in recognition of his professional and significant contribution to the advertising industry in Hong Kong.

Mr. MOK Chun Ho, Neil (莫峻皓), aged 50, the chief financial officer of our Group responsible for the general financial planning and management of our Group. Mr. Mok joined our Group in March 2003 and was appointed as an executive Director of our Group in July 2009. He obtained his MBA degree from Charles Sturt University in Australia in November 2002 and the Diploma in Accountancy from the Lingnan College of Hong Kong (currently known as Lingnan University) in November 1989. Mr. Mok was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the associate member of the Taxation Institute of Hong Kong and The Hong Kong Institute of Chartered Secretaries in February 2010, April 1999 and May 2011, respectively. Mr. Mok has over 21 years of experience in finance and accounting management through his previous financial positions with several listed and private companies in Hong Kong.

Mr. LI Jian (厲劍), aged 47, the chief operation officer of our Group responsible for the formulation and execution of the advertising sales strategies as well as the publication management of our Group. Mr. Li was appointed as an executive Director of our Group in July 2009. He joined our Group in May 1999 and took up various senior positions in Shanghai and Beijing offices and he was subsequently promoted to be the chief operation officer of our Group in July 2006. Mr. Li obtained his MBA degree from Murdoch University in Australia in March 2000 and his bachelor's degree in Applied Mathematics from the Faculty of Applied Mathematics of Lanzhou University in China in June 1992. He has over 14 years of experience in the marketing industry. Mr. Li was re-designated from being an executive Director to a non-executive Director with effect from 15 July 2015, and later tendered his resignation as an non-executive Director with effect from 19 November 2015.

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

Mr. CUI Jianfeng (崔劍鋒), aged 43, was appointed as the chief investment officer and executive Director of our Group in July 2009. Mr. Cui was also promoted as the chief executive officer of digital media division of our Group in April 2013. Mr. Cui joined our Group in May 2008 and is responsible for the investment strategies and business management of our Group. Prior to joining our Group, he took up various senior positions in two reputable multinational companies. Mr. Cui's past working experience in multinational companies helps our Group in developing constructive investment and business finance systems. He obtained an MBA degree from the Deakin University in Australia in September 2003 and another MBA degree from the University of Western Ontario in Canada in October 2004 respectively and also the bachelor's degree of commerce (major in accountancy) from the University of Wollongong in Australia in October 1995. Mr. Cui is a member of CPA Australia. Mr. Cui has over 14 years of experience in finance and business management. Mr. Cui tendered his resignation as an executive Director with effect from 31 August 2015 and agreed to assume the positions as officer-in-charge of the digital media business of the Group for the period commencing from 1 September 2015 and expiring on 31 December 2015. For more details, please refer to the section headed "Management Contracts" in the Directors' Report.

Ms. YANG Ying (楊瑩), aged 40, was appointed as an executive Director with effect from 1 September 2015. Ms. Yang was graduated in Shanghai Foreign Trade College, majored in Foreign Trade Economy and obtained her executive master of business administration degree from a course jointly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Yang has more than 16 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Yang worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Yang joined the Group as Marketing Director of its Shanghai Office and further on promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Yang joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August, 2009, Ms. Yang rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Mr. LI Jian (李劍), aged 40, was appointed as an executive Director with effect from 1 September 2015. Mr. Li joined the Group in September 2011 as the deputy publisher for "Bloomberg Businessweek 商業周刊中文版/China" and deputy general manager of the Group's operations in the Beijing region. He was promoted, on 2 September 2012 and in February 2013 respectively, to the general manager of the Beijing region and the publisher for "Bloomberg Businessweek 商業周刊中文版/China", "Bloomberg Businessweek 商業周刊中文版" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek 商業周刊中文版". Prior to joining the Group, he had served in two international media companies and held various senior positions, such as the publisher for a number of media. Mr. Li was a pioneer in the digital publication and visual media industries and has accumulated 12 years of working experience in the media field. In the earlier years, Mr. Li had worked for internationally well-known consulting agencies. Mr. Li has gained extensive experience in cross-media operations from international media groups over the years, which will facilitate the Group in exploring and integrating cross-media platforms that will contribute to the development of business. He graduated from John Molson Business School, Concordia University of Canada with a bachelor's degree in Business in 2000.

NON-EXECUTIVE DIRECTOR

Dr. CHENG Chi Kong (鄭志剛), aged 36, was appointed as the non-executive Director in April 2013. Dr. Cheng obtained a Bachelor of Arts degree (cum laude) from Harvard University, and was conferred the Honorary Doctorate of Humanities by the Savannah College of Art and Design. He worked in a major international bank and has substantial experience in corporate finance. Dr. Cheng serves as executive director of a number of companies which are listed on the Main Board of the Stock Exchange, including New World Development Company Limited, New World China Land Limited, New World Department Store China Limited, Chow Tai Fook Jewellery Group Limited, International Entertainment Corporation and a non-executive director of Giordano International Limited.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shi (王石), aged 64, was appointed as the independent non-executive Director in August 2009. Mr. Wang has almost 20 years of experience in real estate development in the PRC. Mr. Wang was the founder of China Vanke Co., Ltd. which was listed on the Shenzhen Stock Exchange starting from 1984. He acted as its general manager from 1988 to 1999, and he also acted as its chairman from 1988 till now. Mr. Wang obtained his bachelor's degree in water supply studies from Lanzhou Jiaotong University in China in September 1977.

Mr. JIANG Nanchun (江南春), aged 42, was appointed as the independent non-executive Director on in August 2009. Mr. Jiang has over 16 years of experience in the media and advertising industries in the PRC. He held the office of chief executive officer of Everease Advertising Corporation, which is one of the top 50 advertising agencies in China, from 1994 to 2003. In May 2003, Mr. Jiang became the general manager of Focus Media Advertisement. He also founded Focus Media Holding Limited ("Focus Media") (a company which is listed on the National Association of Securities Dealers Automated Quotations (NASDAQ)) and served as its chairman of the board of directors and the chief executive officer since May 2003. Mr. Jiang obtained his bachelor's degree in Chinese language and literature from East China Normal University in China in 1995.

Mr. AU-YEUNG Kwong Wah (歐陽廣華), aged 51, was appointed as the independent non-executive Director in August 2009. Mr. Au-Yeung obtained a bachelor's degree in commerce from The Bond University in Australia in September 1996, a master's degree in accountancy from The Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University in December 2005 and an EMBA degree from The Chinese University of Hong Kong in December 2008. Mr. Au-Yeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 18 years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. Au-Yeung was appointed as the executive director of China Lumena New Materials Corp. in September 2014.

SENIOR MANAGEMENT

Mr. Alain DEROCHE, aged 54, the vice president and the publishing controller of two Group's international titles, namely "Numero" and "Intersection". Mr. Deroche joined our Group in June 2008 and is responsible for the management of our Group's international copyright business and the planning and content innovation for the Magazines. Prior to joining our Group, Mr. Deroche served as the general manager in charge of publishing in Asia for two and a half years and the publishing controller for ELLE's international edition in the International Department of a French company called Hachette Filipacchi Medias Group for five years. Mr. Deroche obtained his doctoral degree in international enterprise management from Universite Paris-Dauphine (English translation: Paris Dauphine University) in France in October 1986. He has over 29 years of experience in international media management of the international media industry.

Ms. ZHONG Yuanhong (鍾遠紅), aged 44, the administration and production controller of our Group. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 years. Ms. Zhong completed her secondary education in Guangzhou No. 62 middle school in June 1989. She has over 18 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

Biographical Details of Directors & Senior Management (continued)

Mr. CHING Siu Wai (程少偉), aged 50, joined our Group in July 2003 as the creative director of City Magazine and is now the deputy general manager in Hong Kong, creative director of our Group and also the publishing director of City Magazine in Hong Kong. Mr. Ching is responsible for the management of the creative design business of our Group and the operation and management of City Magazine. Mr. Ching obtained a diploma in design from HK Chingying Institute of Visual Arts. He has over 22 years of solid experience in magazine design and the media industry. Mr. Ching was granted the Best Magazine Design Award by the Society of Publishers in Asia in 2005 and 2007 respectively.

Mr. LIM Timothy Edward (林添靈), aged 41, joined our Group in February 2006 and is the fashion director of our Group responsible for the planning and development of the fashion aspects of the Magazines. Prior to joining our Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, Marie Claire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 16 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Ms. HUANG Wenhua (黃文樺), aged 45, joined our Group in June 2002 and is the regional general manager of Guangzhou, responsible for the operation and management of the advertising business in Southern China. Prior to joining our Group, Ms. Huang was the head of the customer relations department in Central Hotel in Guangzhou for 2 years. She completed her secondary education in Guangzhou. Ms. Huang has over 14 years of experience in the media industry.

Ms. YEH Shaway (葉曉薇), aged 47, joined our Group in May 2006 and is now the Style Editorial Director of the Group, responsible for the provision of style editorial direction to several publications and mobile Apps of the Group. Under Ms. Yeh's editorial direction, Modern Weekly reaches China's elite readers with the latest international news, trends, phenomena and discussion in the fields of Style and Culture. Ms. Yeh obtained her master degree on performing arts from New York University in U.S. in 1994. Before moving to China, she worked for aRUDE magazine in New York (1994) and GQ Taiwan (1996). Ms. Yeh moved to Shanghai in 2003 for the preparation of Vogue China launch. Before joining our Group, Ms. Yeh helmed communication in China for Prada in 2005. She spoke on forums at China Fashion Designers Association, The Wolpole British Luxury, Hong Kong Art Fair and served as Jury for Swiss Textile Fashion Award, Rado Young Design Prize, Asian WSJ Innovation award etc.

Ms. MA Li (馬驪), aged 33, joined our Group in November 2009 and now is the finance and controlling director of the Group, responsible for the financial planning and analysis of the Group and all media business units. Apart from financial management, she is also responsible for internal controls and policy management for the Group. Prior to joining the Group, she had worked for PricewaterhouseCoopers as the senior auditor for over 5 years. She obtained her bachelor of management and bachelor of finance from Shanghai University of Finance and Economics. She is the member of The Institute of Internal Auditors and has over 10 years experience in finance and control management.

Ms. ZHANG Kui (張葵), aged 44, the national finance director of the Group, Ms. Zhang joined our Group in March 2005, she is responsible for establishing the group's financial management accounting system, formulate financial system, and is responsible for the financial accounting for the group, and the formulation and implementation of tax planning. Before joining the group, Ms. Zhang worked for domestic large state-owned enterprises, responsible for the financial work in the state-owned enterprises for more than 10 years, she has rich experience in finance management and tax planning. Ms. Zhang graduated from Jinan university with a bachelor's degree in management, she is a senior accountant, certified tax agent and obtained management institute of occupational qualification registered in China. She has more than 20 years of experience in the financial and tax management.

Directors' Report

The Directors are pleased to submit their report together with the audited financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

BUSINESS REVIEW

Key financial and business performance indicators

The key financial and business performance indicators comprise profitability growth, return on equity, dividend growth and gearing ratio. Details of profitability analysis are shown in "Management Discussion and Analysis" section of this annual report. The Group's return on equity, based on profit after tax to net asset, decreased by 3.8% to 4.4% in the year under review as compared to the previous year, which mainly due to the decline in revenue as a result of the sluggish advertising market, and the increasing production costs as we evolved to different forms of advertising such as soft article edition, organized events and forums, etc.. Directors proposed a final dividend of HK$2.5 cents per share for the current year, which maintained at the same level as that in previous year. The Group's gearing ratio, calculated based on bank borrowings to total assets, increased slightly from 17.1% in 2014 to 17.7% in the year under review; the Group will continue to safeguard its capital adequacy position, whilst to maintain a balance between business growth and risk management.

Environmental, Social and Governance

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

Environmental protection

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

Workplace Quality

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

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

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

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

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

Compliance with laws and regulations

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

Relationships with key stakeholders

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

Employees

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

Customers

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

Service vendors

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

Regulators

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

Shareholders

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

Principal risks and uncertainties

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

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

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

Proposed spin-off

As mentioned in the Company's announcement dated 3 December 2015 and other previous announcements concerning the proposed spin-off of the digital and television production businesses of the Group, in respect of the decision given by the Listing Division that the spin-off proposal did not met two of the requirements laid down in Practice Note 15 of the Listing Rules (which decision was upheld by the Listing Committee), such decision was overturned by the Listing (Review) Committee. Following that, the Company has been continuing with the relevant work regarding the proposed spin-off, which may or may not finally proceed.

Future business development

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

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

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

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

FINANCIAL RESULTS AND DISTRIBUTABLE RESERVES

The profit of the Group for the year and the state of affairs of the Company and the Group as at 31 December 2015 are set out in the consolidated financial statements on pages 84 to 86 and page 161.

Movements in the reserves of the Company and amounts available for distribution to shareholders are disclosed in note 34(a) to the financial statements. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 87.

DIVIDEND

The Directors have declared a final dividend of HK2.5 cents (2014: HK2.5 cents) per share amounting to HK$11.0 million, which represents approximately 44.6% of the net profit of 2015, subject to the approval of the Shareholders at the forthcoming annual general meeting. The proposed dividend will be payable to Shareholders whose names appear on the Register of Members of the Company on 13 May 2016 and payable on 3 June 2016.

SHARE CAPITAL

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

During the year ended 31 December 2013, an aggregate of 1,076,000 shares of the Company were agreed to be issued to eligible participants following the acquisition of 每城美客(北京)網絡科技有限公司 ("Linkchic") pursuant to the terms and conditions under the agreement for the acquisition of Linkchic, which were set out in the Company's announcement dated 23 April 2013. On 13 May 2015, 72,000 shares were issued and vested to the eligible participants for nil consideration for their continuing services in Linkchic. For more information, please refer to Note 23 to the financial statements.

FIXED ASSETS

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

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 54.0% and 29.1%, respectively, of the Group's total purchases for the year ended 31 December 2015.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 36.4% and 16.2%, respectively, of the Group's total sales for the year ended 31 December 2015.

As far as the Directors are aware, neither the Directors, their associates, nor shareholders who own more than 5% of the Company's share capital as at 31 December 2015 had any interest in any of the five largest suppliers and customers disclosed above.

FIVE YEAR SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 166.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors
Mr. Shao Zhong (邵忠) *(Chairman)*
Mr. Wong Shing Fat (黃承發) *(Vice-Chairman)*
Mr. Mok Chun Ho, Neil (莫峻皓)
Mr. Li Jian (厲劍) (re-designated from an executive Director to a non-executive Director on 15 July 2015, and resigned on 19 November 2015)
Mr. Cui Jianfeng (崔劍峰) (resigned on 31 August 2015)
Ms. Yang Ying (楊瑩) (appointed on 1 September 2015)
Mr. Li Jian (李劍) (appointed on 1 September 2015)

Non-executive Director
Dr. Cheng Chi Kong (鄭志剛)

Independent non-executive Directors
Mr. Wang Shi (王石)
Mr. Jiang Nanchun (江南春)
Mr. Au-Yeung Kwong Wah (歐陽廣華)

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 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")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as otherwise notified to the Company:

Long Positions in the Company as at 31 December 2015

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	278,560,000	63.56%
Wong Shing Fat	The Company	Beneficial owner	2,152,000	0.49%
Mok Chun Ho, Neil	The Company	Beneficial owner	2,304,000	0.53%
Yang Ying	The Company	Beneficial owner	110,000	0.03%

Long Positions in the associated corporations of the Company as at 31 December 2015

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
Mr. Shao	北京現代雅格廣告有限公司 (Beijing Modern Yage Advertising Co., Ltd.*, "Beijing Yage")	Interest of controlled corporations *(Note 2)*	100%
Mr. Shao	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*, "Beijing Yage Zhimei")	Interest of controlled corporations *(Note 3)*	100%
Mr. Shao	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*, "Guangzhou Modern Information")	Beneficial owner	100%
Mr. Shao	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.*, "Guangzhou Modern Books")	Beneficial owner *(Note 4)*	90%
	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	深圳市雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*, "Shenzhen Yage Zhimei")	Interest of controlled corporations *(Note 7)*	100%
Mr. Shao	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*, "Zhuhai Modern Zhimei")	Interest of controlled corporations *(Note 8)*	100%
Mr. Shao	珠海市銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu")	Beneficial owner *(Note 9)*	90%
	Zhuhai Yinhu	Interest of controlled corporations *(Note 9)*	10%
Mr. Shao	廣州摩登影視娛樂有限公司 (Guangzhou Modern Film Entertainment Co., Ltd.*, "Guangzhou Modern Film", formerly known as "Guangzhou Modern Video")	Interest of controlled corporations *(Note 10)*	100%
Mr. Shao	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited.*, "Guangzhou Xiandai" or "Guangzhou Mobile Digital") Guangzhou Xiandai	Beneficial owner *(Note 11)*	95%
Mr. Shao	上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Interest of controlled corporations *(Note 12)*	100%
Mr. Shao	每城美客（北京）網絡科技有限公司 (Linkchic (Beijing) Network Technology Co. Ltd.*, "Linkchic Beijing")	Interest of controlled corporations *(Note 13)*	100%

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

13. Linkchic Beijing is held as to 100% by Guangzhou Xiandai, 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.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 December 2015, the Company was notified of the following shareholders (other than Directors) having interests in shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at 31 December 2015
Madam Zhou Shao-min *(Note 1)*	Interest of spouse	278,560,000	63.56%
FIL Limited	Beneficial owner	34,948,000	7.97%
Harmony Master Fund *(Note 2)*	Beneficial owner	24,270,000	5.54%
United Achievement Limited *(Note 3)*	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, LLC *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%

*Notes:

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

2. Harmony Master Fund ("Harmony Fund") is a long-only equity fund registered in Cayman Islands. Harmony Fund is managed by DM Fund Management Limited, a company registered in Cayman Islands and a subsidiary of DM Capital Limited, a company incorporated in British Virgin Islands. Harmony Fund primarily holds long equity positions in small capitalization stocks that derive a majority of their revenues within the Greater China region. The fund adopts a fundamentals-driven bottom-up approach to stock selection focusing on high growth, high quality and under-reported investment opportunities that are attractively valued. Upon building an investment position, the fund will exercise a "Friendly Activist" approach seeking to constructively engage portfolio companies and add value through guiding improvement in fundamental characteristics such as corporate governance and company strategy. The figure shown in the above table is based on confirmation recently received from Harmony Fund (and according to the relevant DI Notice in connection with the Company available on www.hkex.com.hk as at 31 December 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 31 December 2015 are set out in note 23 to the financial statements of this Annual Report on page 145.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted in August 2009 ("Share Option Scheme"). Under the Scheme, the Directors may grant options to subscribe for shares of the Company to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries. No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year. No share option was outstanding under the Scheme as at 31 December 2015.

Purpose and its participants

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

Total number of Shares available for issue

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital ("Issued Share Capital") of the Company from time to time. The total number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company as may from time to time be adopted by the Company as permitted under the Listing Rules initially shall not, in aggregate, exceed 10% of the Issued Share Capital as at the date of adoption of the Scheme (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the Shareholders). As at the date of the 2015 Annual Report, the maximum number of Shares that may be granted under the Scheme was 40 million Shares. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year 2015 and no share option was outstanding under the Scheme as at 31 December 2015.

Maximum entitlement of each participant

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

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

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

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

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

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

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

The basis of determining the exercise price

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

The remaining life

Subject to any earlier termination in accordance with its rules, the Scheme shall remain in force for a period of ten years commencing on 24 August 2009. As at the date of the 2015 Annual Report, the Scheme had a remaining life of slightly more than three years.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

None of the Directors (including their spouses and children below 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year ended 31 December 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Investment in online search services held by Mr. Shao Zhong

As at 31 December 2015, Mr. Shao Zhong ("Mr. Shao"), an executive Director and the controlling Shareholder, held about 6.4% equity interest in a company ("Online Search Company") incorporated in Beijing, the PRC. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investments in the said business before the Group's commencement of the Mobile Digital Media Business.

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to article 188 of the Articles of Associations of the Company, every Director of the Company is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the financial year ended 31 December 2015.

The Company has taken out and maintained directors' liability insurance throughout the financial year ended 31 December 2015, which provides appropriate cover for the Directors.

MANAGEMENT CONTRACTS

As disclosed in the announcement of the Company dated 31 August 2015, following his resignation as an executive Director of the Company, Mr. Cui remained as an officer-in-charge ("OIC") of the digital media business of the Group. Mr. Cui entered into an employment agreement with Modern Mobile Digital Media Company Limited, a subsidiary of the Group, on 20 August 2015, in which Mr. Cui agreed to assume the positions as OIC with such management responsibilities and duties with regard to the operations and development of the digital media business of the Group for the period commencing from 1 September 2015 and expiring on 31 December 2015.

Save as disclosed above, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONNECTED TRANSACTIONS

Certain connected transactions took place during the financial year ended 31 December 2015 and/or subsisted as at 31 December 2015.

Contractual Arrangements

2009 Arrangements

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

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

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

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

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

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

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

2011 Arrangements

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

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

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

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

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

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

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

2015 Arrangements

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

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

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

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

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

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

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

As at 31 December 2015, there were in total 13 operating companies established in the PRC ("OPCOs" and each an "OPCO"), including (i) 9 companies ("Printed Media OPCOs") which carried on the printed media business, and (ii) 4 companies ("Digital Media OPCOs") which carried on the mobile digital media business (as defined in the 2011 Announcement).

The Printed Media OPCOs

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

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

The Digital Media OPCOs

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

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

OPCO's significance and financial contribution to the Group

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

	Significance and contribution to the Group					
	Revenue For the year ended 31 December		Net profits For the year ended 31 December		Total assets As at 31 December	
	2014	2015	2014	2015	2014	2015
Printed Media OPCOs	2.60%	2.42%	8.83%	-7.68%	22.54%	20.11%
Digital Media OPCOs	2.75%	4.18%	18.40%	-3.40%	6.95%	8.71%

Revenue and assets subject to the Contractual Arrangements

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

	Revenue For the year ended 31 December 2015 RMB'000	Assets As at 31 December 2015 RMB'000
Printed Media OPCOs	14,421	136,695
Digital Media OPCOs	24,912	59,188

Reasons for using and risks associated with the Contractual Arrangements

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

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

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

Material changes

Save as disclosed above, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2015.

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

Unwinding of the Contractual Arrangements

Up to 31 December 2015, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

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

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

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

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

The independent non-executive directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2015 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the OPCOs has been substantially retained by the relevant subsidiary of the Group; (ii) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) the terms of the transactions are on normal commercial terms and in the ordinary and usual course of business and (iv) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Other Connected Transactions during the year

On 29 June 2015, Beijing Yage Zhimei, Guangzhou Modern Media, MMCL, ZT (Beijing), ZT (Guangzhou) and ZT (Shanghai) (as defined in the announcement of the Company dated 29 June 2015 ("June Announcement")), all being subsidiaries of the Group, have entered into an agreement with Mr. Shao (a Controlling Shareholding and an executive Director), pursuant to which the said subsidiaries agreed to dispose, and Mr. Shao has agreed to acquire, a collection of artwork, consisting of canvases, photograph, art piece and sculpture at a consideration of RMB29.1 million. For further information about the said connected transaction, please refer to the June Announcement.

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

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

CONTINUING CONNECTED TRANSACTIONS

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

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

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

The auditor has confirmed that:

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

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

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

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2015, the Group had around employees 992 (2014: 1,059). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover and the Share Award Plan adopted by the Company which became effective on 7 December 2009.

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

PENSION SCHEME

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

There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. The Group's contributions to retirement benefit schemes were charged to the consolidated income statement for the year ended 31 December 2015 were 40.0 million. Details of the contribution retirement schemes are set out in note 2.19 of the financial statements.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2015, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "CG Code").

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance" section of this Annual Report on pages 39 to 52.

AUDIT COMMITTEE

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

During the year, the Audit Committee met from time to time to review the Company's draft annual report and accounts, interim report and provided advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2015. Starting from 2016, the Audit Committee will also perform the duties as stated in the amended terms of reference of the Audit Committee, including reviewing the risk management system of the Group.

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained throughout the year ended 31 December 2015, the amount of public float as required under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

PricewaterhouseCoopers ("PwC") was first appointed as the auditors of the Group in 2014 after the resignation of previous auditors, KPMG.

The consolidated financial statements for the year ended 31 December 2015 have been audited by PwC, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PwC as auditors of the Company is to be proposed at the forth coming Annual General Meeting.

On behalf of the Board
Shao Zhong
Chairman

Hong Kong, 14 March 2016

Independent Auditor's Report

羅兵咸永道

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

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries set out on pages 84 to 165 which comprise the consolidated balance sheet as at 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report *(continued)*

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 14 March 2016

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

Year ended 31 December 2015 HK$'000		Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
711,057	Revenue	5	595,725	603,801
(350,191)	Cost of sales	8	(293,391)	(268,242)
360,866	**Gross profit**		302,334	335,559
(170,785)	Distribution expenses	8	(143,084)	(150,752)
(159,353)	Administrative expenses	8	(133,506)	(139,576)
8,336	Other income	6	6,984	6,378
(3,128)	Other losses — net	7	(2,621)	(1,302)
35,936	**Operating profit**		30,107	50,307
583	Finance income		489	808
(5,858)	Finance expenses		(4,908)	(4,421)
(5,275)	Finance expenses — net	10	(4,419)	(3,613)
(726)	Share of losses of investments accounted for using the equity method	11(b)	(608)	(663)
–	Losses on disposal of an associate		–	(777)
29,935	**Profit before income tax**		25,080	45,254
(5,358)	Income tax expense	12	(4,489)	(7,461)
24,577	**Profit for the year**		20,591	37,793
	Other comprehensive income			
	Items that may be subsequently reclassified to profit or loss			
	Exchange differences on translation of financial statements of:			
5,060	— overseas subsidiaries		4,239	(1,102)
–	— an overseas associate	11(b)	–	290
29,637	**Total comprehensive income for the year**		24,830	36,981
	Profit attributable to:			
24,973	— Owners of the Company		20,923	37,793
(396)	— Non-controlling interests		(332)	–
24,577			20,591	37,793
	Total comprehensive income attributable to:			
30,033	— Owners of the Company		25,162	36,981
(396)	— Non-controlling interests		(332)	–
29,637			24,830	36,981
	Earnings per share attributable to the owners of the Company for the year (expressed in RMB per share)			
HK$0.0571	Basic earnings per share	13(a)	RMB0.0478	RMB0.0867
HK$0.0571	Diluted earnings per share	13(b)	RMB0.0478	RMB0.0867

The notes on pages 89 to 165 are an integral part of the consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2015

As at 31 December 2015 HK$'000		Note	As at 31 December 2015 RMB'000	As at 31 December 2014 RMB'000
	ASSETS			
	Non-current assets			
223,011	Property, plant and equipment	14	186,839	212,172
30,551	Intangible assets	15	25,596	23,449
35,846	Goodwill	16	30,032	30,032
14,289	Software development in progress	17	11,971	3,410
5,172	Interest in an associate	11(b)	4,333	4,024
414	Interest in a joint venture	11(b)	347	1,264
7,353	Available-for-sale financial assets	18	6,160	8,160
7,758	Prepayments of equity investments	19	6,500	–
3,331	Deferred income tax assets	27	2,791	3,955
327,725			274,569	286,466
	Current assets			
366,212	Trade and other receivables	19	306,813	283,914
23,872	Available-for-sale financial assets	18	20,000	–
20,180	Inventories	20	16,907	39
73,353	Cash and cash equivalents	21	61,455	104,363
–	Restricted cash	21	–	1,040
483,617			405,175	389,356
811,342	**Total assets**		679,744	675,822
	EQUITY AND LIABILITIES			
	Equity attributable to owners of the Company			
4,598	Share capital	22	3,852	3,851
226,149	Reserves	24	189,468	184,134
333,020	Retained earnings		279,005	270,613
563,767			472,325	458,598
(396)	**Non-controlling interests**		(332)	–
563,371	**Total equity**		471,993	458,598

Consolidated Balance Sheet *(continued)*

As at 31 December 2015

As at 31 December 2015 HK$'000		Note	As at 31 December 2015 RMB'000	2014 RMB'000
	LIABILITIES			
	Non-current liabilities			
32,080	Borrowings	26	26,877	48,318
3,667	Deferred income tax liabilities	27	3,072	888
35,747			29,949	49,206
	Current liabilities			
91,525	Trade and other payables	25	76,680	87,163
9,149	Current income tax liabilities		7,665	12,829
111,550	Borrowings	26	93,457	68,026
212,224			177,802	168,018
247,971	**Total liabilities**		207,751	217,224
811,342	**Total equity and liabilities**		679,744	675,822

The notes on pages 89 to 165 are an integral part of the consolidated financial statements.

The consolidated financial statements on pages 84 to 165 were approved by the Board of Directors on 14 March 2016 and were signed on its behalf.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to owners of the Company									
	Share capital (Note 22) RMB'000	Shares held for Share Award Scheme (Note 23) RMB'000	Employee share-based compensation reserve (Note 23) RMB'000	Share premium (Note 24(c)(i)) RMB'000	Other Reserves (Note 24(c)(iv)) RMB'000	Statutory surplus and general reserves (Note 24(c)(ii)) RMB'000	Currency exchange differences (Note 24(c)(iii)) RMB'000	Retained earnings RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2014	3,848	(2,508)	869	144,357	4,259	37,465	(4,983)	255,277	–	438,584
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	37,793	–	37,793
Other comprehensive income										
Currency translation differences	–	–	–	–	–	–	(812)	–	–	(812)
Total comprehensive income	–	–	–	–	–	–	(812)	37,793	–	36,981
Share award scheme (Note 23(a)):										
– Dividends reinvested to the scheme	–	88	–	–	–	–	–	–	–	88
Employees share-based compensation (Note 23(b))	3	–	(488)	688	–	–	–	–	–	203
Dividends relating to 2013	–	–	–	–	–	–	–	(17,258)	–	(17,258)
Appropriation to surplus reserves	–	–	–	–	–	5,199	–	(5,199)	–	–
Total transactions with owners, recognised directly in equity	3	88	(488)	688	–	5,199	–	(22,457)	–	(16,967)
As at 31 December 2014	3,851	(2,420)	381	145,045	4,259	42,664	(5,795)	270,613	–	458,598
As at 1 January 2015	3,851	(2,420)	381	145,045	4,259	42,664	(5,795)	270,613	–	458,598
Comprehensive income										
Profit for the year	–	–	–	–	–	–	–	20,923	(332)	20,591
Other comprehensive income										
Currency translation differences	–	–	–	–	–	–	4,239	–	–	4,239
Total comprehensive income	–	–	–	–	–	–	4,239	20,923	(332)	24,830
Share award scheme (Note 23(a)):	–	(3,505)	–	–	–	–	–	834	–	(2,671)
– Purchased	–	(5,458)	–	–	–	–	–	–	–	(5,458)
– Vested	–	1,909	–	–	–	–	–	834	–	2,743
– Dividends reinvested to the scheme	–	44	–	–	–	–	–	–	–	44
Employees share-based compensation (Note 23(b))	1	–	(261)	138	–	–	–	–	–	(122)
Dividends relating to 2014	–	–	–	–	–	–	–	(8,642)	–	(8,642)
Appropriation to surplus reserves	–	–	–	–	–	4,723	–	(4,723)	–	–
Total transactions with owners, recognised directly in equity	1	(3,505)	(261)	138	–	4,723	–	(12,531)	–	(11,435)
As at 31 December 2015	3,852	(5,925)	120	145,183	4,259	47,387	(1,556)	279,005	(332)	471,993

The notes on pages 89 to 165 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

Year ended 31 December 2015 HK$'000		Note	Year ended 31 December 2015 RMB'000	2014 RMB'000
	Cash flow from operating activities			
49,666	Cash generated from operations	28(a)	41,610	43,595
(7,526)	Income tax paid		(6,305)	(20,427)
42,140	**Net cash generated from operating activities**		35,305	23,168
	Cash flow from investing activities			
584	Interests received	10	489	808
(18,512)	Purchases of property, plant and equipment	14	(15,509)	(34,226)
(280)	Purchases of intangible assets	15	(235)	(276)
(19,457)	Payments for software development in progress	17	(16,301)	(9,078)
907	Proceeds from disposal of property, plant and equipment	28(b)	760	474
(7,759)	Prepayments of equity investments	19(c)	(6,500)	–
(3,581)	Payments of an investment in a movie project		(3,000)	–
1,242	Decrease in pledged deposits	21	1,040	1,400
(23,872)	Purchase of commercial bank financing products	18	(20,000)	–
–	Net proceeds on disposal of an associate	11(b)	–	2,704
(70,728)	**Net cash used in investing activities**		(59,256)	(38,194)
	Cash flows from financing activities			
104,405	Proceeds from borrowings		87,470	129,979
(104,396)	Repayments of borrowings		(87,463)	(115,525)
(6,515)	Purchase of shares for the share award scheme	23(a)	(5,458)	–
(10,263)	Dividends paid to Company's shareholders		(8,598)	(17,170)
(5,858)	Interests paid	10	(4,908)	(4,421)
(22,627)	**Net cash used in financing activities**		(18,957)	(7,137)
(51,215)	**Net decrease in cash and cash equivalents**		(42,908)	(22,163)
124,568	Cash and cash equivalents at beginning of year	21	104,363	126,290
–	Exchange gains on cash and cash equivalents		–	236
73,353	**Cash and cash equivalents at end of year**	21	61,455	104,363

The notes on pages 89 to 165 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 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 7F, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong respectively; and its registered office is at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

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

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

As mentioned in the Company's announcement dated 3 December 2015 and other previous announcements concerning the proposed spin-off of the digital and television businesses of the Group, in respect of the decision given by the Listing Division that the spin-off proposal did not meet two of the requirements laid down in Practice Note 15 of the Listing Rules (which decision was upheld by the Listing Committee), such decision was overturned by the Listing (Review) Committee. Following that, the Company has been continuing with the relevant work regarding the proposed spin-off, which may or may not finally proceed.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

The amounts in the consolidated financial statements are presented in RMB. The translation into Hong Kong dollars ("HKD") of the consolidated financial statements as of, and for the year ended 31 December 2015 is for convenience only and has been made at the rate of HKD 1.1936 to RMB 1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into Hong Kong dollars at this or any other rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

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

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

- Amendment to IAS 19 on contributions from employees or third parties to defined benefit plans.
- Amendments from annual improvements to IFRSs — 2010 — 2012 Cycle, on IFRS 8 "Operating segments", IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" and IAS 24 "Related party disclosures".
- Amendments from annual improvements to IFRSs — 2011 — 2013 Cycle, on IFRS 3 "Business combinations", IFRS 13 "Fair value measurement" and IAS 40 "Investment property".

The adoption of the amendments above does not have a significant effect on the consolidated financial statements.

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

- IFRS 14 "Regulatory Deferral Accounts", effective for the annual periods beginning on or after 1 January 2016.
- Amendment to IFRS 11 "Accounting for acquisitions of interests in joint operations", effective for the 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 the 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 the annual periods beginning on or after 1 January 2016.
- Amendment to IAS 27 "Equity method in separate financial statements", effective for the annual periods beginning on or after 1 January 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

- Some amendments included in Annual Improvements 2014 which are effective for the accounting periods on or after 1 January 2016, including:
  - 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"
- Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment entities: applying the consolidation exception", effective for the annual periods beginning on or after 1 January 2016.
- Amendments to IAS 1 "Disclosure initiative", effective for the annual periods beginning on or after 1 January 2016.
- IFRS 15 "Revenue from Contracts with Customers", effective for the annual periods beginning on or after 1 January 2018.
- IFRS 9 "Financial Instruments", effective for the annual periods beginning on or after 1 January 2018.
- IFRS 16 "Leases" provides updated guidance on the definition of leases, and the guidance on the combination and separation of contracts, effective for the accounting period beginning on or after 1 January 2019. Early application is permitted if IFRS 15 is also applied. The Group is yet to assess full impact of IFRS 16.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

(c) New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

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

(c) Disposal of subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.2 Separate financial statements

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

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

2.3 Associates

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates *(continued)*

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

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

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation *(continued)*

(d) Disposal of foreign operation and partial disposal

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

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

2.7 Property, plant and equipment

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment *(continued)*

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

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

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

2.8 Intangible assets

(a) Goodwill

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

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

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

(b) Software and mobile applications

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

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Intangible assets *(continued)*

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

- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

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

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

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

(c) Other intangible assets

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

(d) Amortisation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Impairment of non-financial assets

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

2.10 Financial assets

(a) Classification

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

(b) Recognition and measurement

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

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

(c) Offsetting financial instruments

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

(d) Impairment of financial assets

(i) Assets carried at amortised cost

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.10 Financial assets *(continued)*

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

(i) Assets carried at amortised cost (continued)

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

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

(ii) Assets classified as available for sale

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

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

2.11 Inventories

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.12 Trade and other receivables

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

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

2.13 Cash and cash equivalents

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

2.14 Share capital

Ordinary shares are classified as equity.

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

2.15 Trade and other payables

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

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

2.16 Borrowings

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Borrowing costs

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

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

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

2.18 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Outside basis differences

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

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

(c) Offsetting

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

2.19 Employee benefits

(a) Pension obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Employee benefits *(continued)*

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

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

(c) Bonus entitlements

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

(d) Employee leave entitlements

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

(e) Share-based payments

(i) Equity-settled share-based payment

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

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

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

(ii) Share-based payment transactions among group entities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Provisions and contingent liabilities

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

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

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

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

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

2.21 Revenue recognition

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

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

(a) Advertising income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.21 Revenue recognition *(continued)*

(b) Circulation and subscription income

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

Unearned subscriptions fees received from subscribers are recorded as subscriptions received in advance under trade and other payables in the consolidated balance sheet.

(c) TV production, event and service income

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

(d) Sales of artworks and goods

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

(e) Interest income

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

(f) Dividend income

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

2.22 Government grants

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Operating leases

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

2.24 Dividend distribution

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures for the years ended 31 December 2015 and 2014.

(a) Market risk

(i) Foreign exchange risk

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

The Group has not entered into any financial instruments for hedging purpose for the years ended 31 December 2015 and 2014.

As at 31 December 2015 and 2014, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies were summarized below:

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign exchange risk (continued)

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

As at 31 December 2015, if HKD had strengthened/weakened by 5% against RMB with all other variables held constant, the Group's net profit for the year would have been RMB248,000 (2014: RMB182,000) lower/higher as a result of foreign exchange difference on translation of HKD denominated assets and liabilities stated above.

(ii) Cash flow and fair value interest rate risk

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

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

As at 31 December 2015, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net profit for the year would have been RMB 217,000 (2014: RMB218,000) lower/higher as a result of higher/lower interest expenses on floating rate borrowings.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

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

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

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

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

	As at 31 December	
	2015	2014
From the Group's largest customer	17%	11%
From the Group's five largest customers	35%	36%

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

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

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

	Total contractual undiscounted cash flow	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2015					
Trade and other payables	42,711	42,711	–	–	–
Borrowings	126,304	95,649	2,525	7,590	20,540
	169,015	138,360	2,525	7,590	20,540
As at 31 December 2014					
Trade and other payables	46,091	46,091	–	–	–
Borrowings	129,652	72,143	6,384	17,028	34,097
	175,743	118,234	6,384	17,028	34,097

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

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

	Total contractual undiscounted cash flow RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2015					
Trade and other payables	42,711	42,711	–	–	–
Borrowings	130,560	81,428	5,131	11,939	32,062
	173,271	124,139	5,131	11,939	32,062
As at 31 December 2014					
Trade and other payables	46,091	46,091	–	–	–
Borrowings	129,652	72,143	6,384	17,028	34,097
	175,743	118,234	6,384	17,028	34,097

3.2 Capital management

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

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

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

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management *(continued)*

The gearing ratios as at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Total borrowings (Note 26)	120,334	116,344
Less: Cash and cash equivalents (Note 21)	(61,455)	(104,363)
Net debt	58,879	11,981
Total equity	471,993	458,598
Total capital	530,872	470,579
Gearing ratio	11.09%	2.55%

The increase in gearing ratio during the year ended 31 December 2015 was mainly due to the decrease of cash and cash equivalents as a result of purchase of the commercial bank financial products and investments in certain equity interests.

3 FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation

(a) The table below analyses the Group's financial instruments carried at fair value as at 31 December 2015 and 2014 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

As at 31 December 2015	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets				
— unlisted equity investments	–	–	6,160	6,160
— commercial bank financing products	–	–	20,000	20,000
	–	–	26,160	26,160

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Current and deferred income taxes

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

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

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

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

(c) Impairment for receivables

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(d) Impairment assessment of goodwill

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

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

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

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

4.2 Critical judgement in applying the Company's accounting policies

(a) Impairment of available-for-sale financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial assets or group of financial assets is impaired which requires significant judgement. In making this judgement, the management evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgement in applying the Company's accounting policies *(continued)*

(b) Consolidation of PRC Operational Entities under contractual arrangements

As stated in Note 11(a), the Group has been conducting its operations in certain restricted industries through entities ("PRC Operational Entities") which are held by Mr. Shao Zhong ("Mr. Shao"), an Executive Director/controlling shareholder of the Group. Based on the contractual arrangements, the Group has effective control over the financial and operational policies of the PRC Operational Entities and derives economic benefits from the operations of the PRC Operational Entities. Accordingly, these PRC Operational Entities are regarded as subsidiaries of the Group; and their financial results and positions are consolidated into the Group.

5 SEGMENT INFORMATION

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

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

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

The Group has two (2014: three) reportable segments as described below, which are the Group's strategic business units. During the year ended 31 December 2015, the Group strategically restructured its business into two business segments, namely print media and art, and digital media with television. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

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

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

5 SEGMENT INFORMATION *(continued)*

(a) Revenue

The revenue by segment for the years ended 31 December 2015 and 2014 were set out as follows:

	Year ended 31 December	
	2015	2014 (Restated)
	RMB'000	RMB'000
Reportable segment		
— Print media and art (i)	484,064	496,337
— Digital media and television	89,145	100,745
	573,209	597,082
Revenue derived from other operations		
— Management consultancy services (ii)	15,094	–
— Exhibition, event arrangement and others (iii)	23,649	23,732
Less: sales taxes and other surcharges	(16,227)	(17,013)
	595,725	603,801

(i) 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 consideration was arrived at the prices by making reference to the Assets Revaluation Report dated 20 May 2015 prepared by an independent valuer. The sales were recorded as revenue in the segment of print media and art for segment reporting (Note 5(b)(i)) (Note 31(b)) (2014: nil).

(ii) For the year ended 31 December 2015, the Group entered into two management consultancy service agreements with external customers. The corresponding revenue derived from these services was approximately RMB 15,094,000 (2014: nil).

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

5 SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2015 and 2014 were set out as follows:

	Year ended 31 December	
	2015 RMB'000	2014 (Restated) RMB'000
Print media and art (i)	38,848	55,050
Digital media and television	16,940	23,633
	55,788	78,683
Revenue derived from other operations (Note 5(a))	38,743	23,732
Depreciation	(16,525)	(19,639)
Amortisation	(9,763)	(9,368)
Finance expenses — net	(4,419)	(3,613)
Share of (losses)/profits of investments accounted for using equity method	(608)	(663)
Losses on disposal of an associate	–	(777)
Fair value losses on available-for-sale financial assets	(2,000)	–
Unallocated head office and corporate expenses	(36,136)	(23,101)
Profit before tax	25,080	45,254

(i) The EBITDA derived from the sell of artworks to Mr. Shao Zhong was approximately RMB14,155,000 (Note 5(a)(i)).

5 SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA *(continued)*

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

	Year ended 31 December 2014 (Restated)		
Business segment	Depreciation RMB'000	Amortisation RMB'000	Finance expenses-net RMB'000
Print media and art	15,659	454	3,613
Digital media and television	3,980	8,914	–
	19,639	9,368	3,613

(c) Total assets

	As at 31 December	
Business segment	2015 RMB'000	2014 (Restated) RMB'000
Print media and art	359,877	328,249
Digital media and television	148,656	153,306
	508,533	481,555
Corporate and unallocated assets	2,157	4,714
Interest in an associate	4,333	4,024
Interest in a joint venture	347	1,264
Available-for-sale financial assets	26,160	8,160
Prepayments of equity investments	500	–
Deferred income tax assets	2,791	3,955
Other receivables	73,468	66,747
Cash and deposits	61,455	105,403
Total assets	679,744	675,822

5 SEGMENT INFORMATION *(continued)*

(d) Geographic information

The geographic location of the Group's property, plant and equipment, intangible assets, goodwill, software development in progress, available-for-sale financial assets and interest in an associate and a joint venture ("specified non-current assets") were mainly in the PRC, Hong Kong and Taiwan as at 31 December 2015 and 2014.

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

Specified non-current assets excluding deferred income tax assets by geographical location as at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Hong Kong	198,361	146,782
The PRC	72,980	135,102
Taiwan	437	627
	271,778	282,511

Revenue by geographical location for the year ended 31 December 2015 and 2014 was as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
The PRC	497,674	545,319
Hong Kong	98,051	58,482
	595,725	603,801

6 OTHER INCOME

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
PRC government grants (i)	6,338	6,371
Others	646	7
	6,984	6,378

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

7 OTHER LOSSES — NET

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Available-for-sale financial assets:		
— Fair value losses (Note 18)	(2,000)	–
Losses on disposal of property, plant and equipment		
— net (Note 28)	(358)	(1,162)
Exchange losses	(263)	(140)
	(2,621)	(1,302)

8 EXPENSES BY NATURE

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Cost of artworks sold	14,345	–
Employee benefit expenses (Note 9)	211,186	215,460
Advertising production expenses	97,732	74,739
Printing costs of magazines and periodicals	56,994	62,828
Marketing and promotion expenses	56,334	61,375
Office rental costs	30,560	31,847
License fee	23,402	25,452
Office expenses including utility costs	19,122	19,742
Travelling and communication expenses	18,047	23,419
Depreciation (Note 14)	17,531	20,540
Amortisation (Note 15)	10,115	9,442
Consultation expenses	6,163	5,788
Auditor's remuneration		
— Audit services	1,830	1,780
— Non-audit services	350	350
Stamp duties and other taxes	941	1,077
Provision for/(reversal of) impairment of receivables (Note 19)	55	(362)
Other expenses	5,274	5,093
Total cost of sales, distribution and administrative expenses	569,981	558,570

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries, bonus and allowances	182,334	185,098
Social security costs	39,970	38,187
Employee share-based compensation	2,621	203
	224,925	223,488
Less: amount capitalised to software development in progress	(13,739)	(8,028)
	211,186	215,460

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

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2015 included three (2014: three) directors whose emoluments were reflected in the analysis shown in Note 35. The emoluments payable to the remaining two (2014: two) individuals during the year were as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries and allowances	4,333	4,128

The emoluments fell within the following bands:

	Year ended 31 December	
	2015	2014
Emolument bands:		
RMB nil to RMB1,000,000	–	–
RMB1,000,001 to RMB2,500,000	1	1
RMB2,500,001 to RMB3,000,000	1	1
	2	2

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

10 FINANCE EXPENSES — NET

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Finance income:		
Interest income derived from bank deposits	489	808
Finance expenses:		
— Interest expense on borrowings wholly repayable within 5 years	(3,670)	(2,650)
— Interest expense on borrowings wholly repayable after 5 years	(1,238)	(1,771)
	(4,908)	(4,421)
Finance expenses — net	(4,419)	(3,613)

11 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The Company had indirect interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 December 2015 and 2014 were set out below:

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company 31 December		Direct/ Indirect	Principle activities
				2015	2014		
Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited * (廣州現代移動數碼傳播有限公司)	(ii)	The PRC 23 May 1996	RMB10,000,000	100%	100%	Indirect	Provision of digital publishing business
Modern Media Company Limited		Hong Kong 6 May 1998	HK$1,000,000	100%	100%	Indirect	Provision of advertising agency services
Guangzhou Modern Information Media Co., Ltd. * (廣州現代資訊傳播有限公司)	(ii)	The PRC 3 September 1999	RMB60,000,000	100%	100%	Indirect	Publication of magazines in the PRC, provision of advertising agency services, retail sales of imported books and planning of literary arts activities and exhibitions
City Howwhy Limited		Hong Kong 15 May 2000	HK$2	100%	100%	Indirect	Publication of magazines in Hong Kong
Modern Mobile Digital Media Company Limited		Hong Kong 4 December 2000	HK$2	100%	100%	Indirect	Provision of digital publishing business
Modern Media (Zhuhai) Technology Co., Ltd. * (現代傳播（珠海）科技有限公司)	(i)	The PRC 13 April 2006	HK$68,000,000	100%	100%	Indirect	Research and development, provision of advertising and consultancy service
Guangzhou Modern Books Co., Ltd. * (廣州現代圖書有限公司)	(ii)	The PRC 24 November 2004	RMB5,010,000	100%	100%	Indirect	Publication of magazines in the PRC, design and selling of advertising spaces

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

(a) Subsidiaries *(continued)*

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company 31 December 2015	2014	Direct/ Indirect	Principle activities
Shanghai Senyin Information Technology Co., Ltd. * (上海森音信息技術有限公司)	(ii)	The PRC 19 October 2005	RMB1,000,000	100%	100%	Indirect	Provision of website development business
Yazhimei Information Consultation (Shenzhen) Co., Ltd. * (雅致美信息諮詢（深圳）有限公司	(i)	The PRC 16 August 2007	HK$2,000,000	100%	100%	Indirect	Provision of management and consultation services
Linkchic (Beijing) Network Technology Co., Ltd. * (每城美客（北京）網絡科技有限公司)	(ii)	The PRC 21 July 2010	RMB1,600,000	100%	100%	Indirect	Provision of website development business
Shanghai Yizhi Advertising Co., Ltd. * (上海意致廣告有限公司)	(ii)	The PRC 22 February 2012	RMB500,000	100%	100%	Indirect	Provision of advertising agency services
Beijing Yazhimei Advertising Co., Ltd. * (北京雅致美廣告有限公司)	(ii)	The PRC 14 January 2013	RMB500,000	100%	100%	Indirect	Provision of advertising agency services
Kashi Yazhimei Culture Media Co., Ltd. * (喀什雅致美文化傳播有限公司)	(ii)	The PRC 17 June 2014	RMB30,000,000	100%	100%	Indirect	Provision of advertising agency services
Modern Art International Trading Ltd.		Hong Kong 10 August 2015	HK$1,000,000	100%	N/A	Indirect	Artwork trading
Shanghai Play Bear Commerce Co., Ltd. * (上海頑熊商貿有限公司)	(ii)	The PRC 19 January 2015	RMB2,000,000	60%	N/A	Indirect	Provision of selling toys and groceries

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

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

(a) Subsidiaries *(continued)*

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

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

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

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

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

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

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

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

(b) Investments accounted for using the equity method

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

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Carrying amounts of		
— An associate	4,333	4,024
— A joint venture	347	1,264
	4,680	5,288

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

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

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Share of profits/(losses) of		
— An associate	309	(302)
— A joint venture	(917)	(361)
	(608)	(663)

Investment in an associate

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At 1 January	4,024	7,517
Share of profits/(losses)	309	(302)
Disposal of an associate	–	(3,481)
Other comprehensive income	–	290
At 31 December	4,333	4,024

The particulars of the associate of the Group, which is unlisted, were set out as follows:

Company name	Place of business/country of incorporation	Paid-up capital	Attributable equity interests to the Group As at 31 December 2015	Attributable equity interests to the Group As at 31 December 2014	Principle activities
Chongqing Yubao Culture Media Co., Ltd. (重慶渝報文化傳播有限公司) ("Chongqing Yubao")	Chongqing, the PRC	RMB10,000,000	40%	40%	Wholesaling and retailing Chongqing Yubao; provision of advertising, publication and media service

As at 31 December 2015, an impairment test was performed by comparing the attributable carrying amount of the investments in an associate with the recoverable amount. The recoverable amount was based on estimated discounted cash flow. No impairment was recorded.

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

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

Investment in an associate *(continued)*

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Current assets		
Cash and cash equivalents	1,155	1,622
Other current assets (excluding cash)	10,902	10,480
Total current assets	12,057	12,102
Current liabilities	(2,006)	(2,870)
Non-current assets	781	828
Net assets	10,832	10,060

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Revenue	7,009	8,512
Cost of sales	(5,110)	(5,154)
Profit/(loss) from continuing operations	772	(754)
Income tax expense	–	–
Net profit/(loss) from continuing operations	772	(754)
Other comprehensive income	–	–
Total comprehensive income	772	(754)

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

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

Investment in a joint venture

	Year ended 31 December 2015 RMB'000	Year ended 31 December 2014 RMB'000
At 1 January	1,264	1,625
Share of losses	(917)	(361)
At 31 December	347	1,264

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

Company name	Place of business/country of incorporation	Paid-in capital	Attributable equity interests to the Group As at 31 December 2015	Attributable equity interests to the Group As at 31 December 2014	Principal activities
Hangzhou Shili Cultural Media Co., Ltd. ("Hangzhou Shili") (杭州實力文化傳播有限公司)	Hangzhou, the PRC	RMB15,000,000	49%	49%	Publication of magazine in the PRC and selling of advertising spaces

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

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

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

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

Investment in a joint venture *(continued)*

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Current assets		
Cash and cash equivalents	1,110	2,763
Other current assets (excluding cash)	946	641
Total current assets	2,056	3,404
Current liabilities	(1,421)	(930)
Non-current assets	73	106
Net assets	708	2,580

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Revenue	3,676	4,130
Cost of sales	(3,508)	(2,510)
Loss from continuing operations	(1,872)	(737)
Income tax expense	–	–
Net loss from continuing operations	(1,872)	(737)
Other comprehensive income	–	–
Total comprehensive income	(1,872)	(737)

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Current income tax:		
Current income tax on profits for the year (d)	1,740	6,937
Adjustments in respect of prior years	(599)	722
	1,141	7,659
Deferred income tax (Note 27)	3,348	(198)
	4,489	7,461

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit before tax	25,080	45,254
Tax calculated at statutory tax rates of 25%	6,270	11,314
Tax effect of:		
Effect of differential tax rate on income	(1,014)	–
Expenses not deductible for tax purpose	515	1,599
Income not subject to tax	(7,414)	(2,217)
Recognition of prior years' unrecognised tax losses	–	(1,382)
Utilisation of previously unrecognized tax losses	(854)	(6,986)
Tax losses for which no deferred tax assets recognised	5,753	2,195
Income tax on dividends and service charge	1,680	2,049
Adjustment in respect of prior years	(599)	722
Tax effect of associate and joint venture's results	152	167
Tax charge	4,489	7,461

12 INCOME TAX EXPENSE *(continued)*

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

(b) Enterprises incorporated in Hong Kong are subject to income tax rates of 16.5% for the years ended 31 December 2015 and 2014. No provision for Hong Kong Profits Tax for the years ended 31 December 2015 and 2014 has been made on the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceeded the estimated assessable profits for the year or the subsidiaries had no estimated assessable profits in Hong Kong.

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

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

(e) During the year ended 31 December 2015, current income tax on profits for the year included a provision of RMB1,680,000 (year ended 31 December 2014: RMB2,049,000) in respect of withholding income tax on (i) dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology") and (ii) services income charged to PRC subsidiaries.

13 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Year ended 31 December	
	2015	2014
Profit attributable to owners of the Company (RMB'000)	20,923	37,793
Issued ordinary shares as at 1 January (thousands)	438,210	437,850
Weighted average number of shares held for share award scheme (thousands) (Note 23(a))	(557)	(2,215)
Weighted average number of shares awarded in respect of Linkchic acquisition (thousands) (Note 23(b))	42	210
Weighted average number of ordinary shares in issue (thousands)	437,695	435,845
Basic earnings per share (RMB per share)	0.0478	0.0867

(b) Diluted earnings per share

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

For the employee share-based compensation, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The calculation of the diluted earnings per share for the year ended 31 December 2015 and 2014 was shown as:

	Year ended 31 December	
	2015	2014
Earnings		
Profit attributable to owners of the Company (RMB'000)	20,923	37,793
Weighted average number of ordinary shares in issue (thousands)	437,695	435,845
Effect of deemed issue of shares for nil consideration with respect to the Linkchic Acquisition (thousands)	71	286
Weighted average number of ordinary shares for diluted earnings per share (thousands)	437,766	436,131
Diluted earnings per share (RMB per share)	0.0478	0.0867

14 PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Leasehold Improvements RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2014						
Cost	89,774	43,813	39,914	49,532	14,840	237,873
Accumulated depreciation	(6,681)	(28,158)	(23,093)	(16,013)	(9,152)	(83,097)
Net book amount	83,093	15,655	16,821	33,519	5,688	154,776
Year ended 31 December 2014						
Opening net book amount	83,093	15,655	16,821	33,519	5,688	154,776
Additions	53,842	6,092	2,586	17,134	425	80,079
Disposals (Note 28(b))	–	(990)	(110)	(53)	(483)	(1,636)
Depreciation charge (Note 8)	(1,153)	(6,182)	(5,792)	(5,687)	(1,726)	(20,540)
Currency translation differences	(365)	(30)	(13)	(98)	(1)	(507)
Closing net book amount	135,417	14,545	13,492	44,815	3,903	212,172
At 31 December 2014						
Cost	143,251	48,285	39,900	66,383	14,337	312,156
Accumulated depreciation	(7,834)	(33,740)	(26,408)	(21,568)	(10,434)	(99,984)
Net book amount	135,417	14,545	13,492	44,815	3,903	212,172
Year ended 31 December 2015						
Opening net book amount	135,417	14,545	13,492	44,815	3,903	212,172
Additions	–	2,828	2,646	7,481	2,554	15,509
Disposals (Note 28(b))	–	(773)	(238)	(1)	(106)	(1,118)
Depreciation charge (Note 8)	(2,988)	(4,924)	(5,357)	(2,667)	(1,595)	(17,531)
Transfer to inventories (Note 20)	–	–	–	(28,693)	–	(28,693)
Currency translation differences	5,054	209	26	1,128	83	6,500
Closing net book amount	137,483	11,885	10,569	22,063	4,839	186,839
At 31 December 2015						
Cost	148,381	51,198	41,432	31,488	16,774	289,273
Accumulated depreciation	(10,898)	(39,313)	(30,863)	(9,425)	(11,935)	(102,434)
Net book amount	137,483	11,885	10,569	22,063	4,839	186,839

As at 31 December 2015, certain buildings in the PRC with a carrying amount of RMB18,260,000 (31 December 2014: RMB33,251,000) and the property in Hong Kong with a carrying amount of HKD102,598,000 (31 December 2014: HKD104,878,000) were pledged as collaterals for the Group's bank borrowings and other borrowings, amounted to RMB 68,379,000 (31 December 2014: RMB 52,867,000) (Note 26(b), (c)).

14 PROPERTY, PLANT AND EQUIPMENT *(continued)*

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Administrative expenses	15,380	18,692
Distribution expenses	1,078	813
Cost of sales	1,073	1,035
	17,531	20,540

15 INTANGIBLE ASSETS

	Publishing rights RMB'000	Customer relationship RMB'000	Domain and IT platform RMB'000	Software and mobile applications RMB'000	Others RMB'000	Total RMB'000
At 1 January 2014						
Cost	3,000	10,382	7,829	17,424	2,154	40,789
Accumulated amortisation	(2,175)	(7,045)	(1,850)	(4,324)	(1,061)	(16,455)
Net book amount	825	3,337	5,979	13,100	1,093	24,334
Year ended 31 December 2014						
Opening net book amount	825	3,337	5,979	13,100	1,093	24,334
Additions (Note 17)	–	–	–	8,245	276	8,521
Amortisation charge (Note 8)	(450)	(1,825)	(1,249)	(5,840)	(78)	(9,442)
Currency translation differences	–	–	–	37	(1)	36
Closing net book amount	375	1,512	4,730	15,542	1,290	23,449
At 31 December 2014						
Cost	3,000	10,382	7,829	25,660	2,428	49,299
Accumulated amortisation	(2,625)	(8,870)	(3,099)	(10,118)	(1,138)	(25,850)
Net book amount	375	1,512	4,730	15,542	1,290	23,449

15 INTANGIBLE ASSETS (Continued)

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

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

	Year ended 31 December 2015 RMB'000	2014 RMB'000
Administrative expenses	8,883	8,050
Cost of sales	1,232	1,392
	10,115	9,442

16 GOODWILL

	As at 31 December 2015 and 2014 RMB'000
Goodwill arising from business combinations	30,032

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

	As at 31 December 2015 and 2014 RMB'000
Digital media — the PRC	30,032

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

The key assumptions used for value-in-use calculations as at 31 December 2015 and 2014 were as follows:

	As at 31 December	
	2015	2014
Average annual growth rate of revenue during the next five-year period	24%	26%
Gross margin (% of revenue)	55%	54%
Discount rate	18.8%	18.8%
Long term growth rate	3%	3%

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business. Based on the assessments, no goodwill was impaired as at 31 December 2015.

17 SOFTWARE DEVELOPMENT IN PROGRESS

	Software development in progress RMB'000
At 1 January 2014	2,577
Expenditure incurred on software development	9,078
Transferred to intangible assets (Note 15)	(8,245)
At 31 December 2014 and at 1 January 2015	3,410
Expenditure incurred on software development	16,301
Transferred to intangible assets (Note 15)	(7,740)
At 31 December 2015	11,971

18 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Unlisted equity investments	10,160	10,160
Less: provision for impairment (a)	(4,000)	(2,000)
Unlisted equity investments — net	6,160	8,160
Commercial bank financing products (b)	20,000	–
	26,160	8,160

(a) In October 2013, the Group acquired 20% equity interests in 天津假日傳媒發展有限公司 ("Tianjin Holiday") from an independent third party for a consideration of RMB8,160,000. Tianjin Holiday is principally engaged in the publication of newspaper in the PRC. The Group does not have significant influence nor participate in the policy-making process and the operating and financial decisions of Tianjin Holiday.

The Group assessed the fair value of the interest in Tianjin Holiday based on the estimated discounted future cash flow by a discount rate of 15% and an impairment loss of RMB2,000,000 was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2015.

As at 31 December 2015 and 2014, another unlisted equity investment with original consideration of RMB2,000,000 was fully impaired.

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

19 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables (a)		
— Due from third parties	216,201	218,589
— Due from controlling shareholder (Note 31(c))	18,621	–
Less: provision for impairment of receivables (e)	(1,477)	(1,422)
Trade receivables — net	233,345	217,167
Value-added tax recoverable	21,640	23,014
Prepayments	21,274	8,660
Printing deposits	14,179	13,690
Rental, utility and other deposits	11,054	10,645
Advances and loans to employees	6,392	3,881
Others	5,429	6,857
	313,313	283,914
Less:		
Non-current portion: prepayments of equity investments (c)	(6,500)	–
Current portion	306,813	283,914

As at 31 December 2015 and 2014, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

(a) The ageing analysis of trade receivables, before provision for impairment, as at 31 December 2015 and 2014 was as follows:

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Trade receivables, gross		
— Within 30 days	80,829	61,861
— Over 31 days and within 90 days	71,043	84,360
— Over 90 days and within 180 days	36,927	44,681
— Over 180 days	46,023	27,687
	234,822	218,589

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

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

19 TRADE AND OTHER RECEIVABLES *(continued)*

(b) As at 31 December 2015, trade receivables of RMB98,207,000 (31 December 2014: RMB86,225,000) were past due but not impaired. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The ageing analysis of these trade receivables past due but not impaired at respective balance sheet dates was as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
— Within 30 days past due	33,540	26,799
— Over 31 days and within 90 days past due	26,889	28,584
— Over 90 days past due	37,778	30,842
	98,207	86,225

(c) During the year ended 31 December 2015, the Group made prepayments of RMB3,000,000 as an investment of 20% equity interests in Beijing Camart Technology Co., Ltd., and of RMB500,000 as an investment of 7.14% equity interests in Beijing Qingchuangtou Investment Company. Pursuant to the share-holding entrustment agreements entered into between Mr. Shao Zhong and the Group dated on 27 March 2015 and 25 November 2015, respectively, Mr. Shao Zhong is entrusted as registered shareholder of both investments on behalf of the Group (Note 31(e)).

The remaining balance represents the prepayment of RMB3,000,000 as an investment of 20% equity interests in Shanghai Youxian Information Technology Co., Ltd..

As at 31 December 2015, the consideration to acquire these three investments have been fully paid.

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
— RMB	289,430	268,677
— HKD	19,472	12,505
— USD	3,882	2,585
— Others	529	147
	313,313	283,914

19 TRADE AND OTHER RECEIVABLES *(continued)*

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
At beginning of the year	1,422	1,784
Provision for/(reversal of) impairment (Note 8)	55	(362)
At the end of the year	1,477	1,422

Provision for impairment of RMB1,477,000 has been made for estimated irrecoverable amounts due from advertising customers. This provision for impairment has been determined by reference to past default experience and management judgement. The ageing of these impaired trade receivables was over 180 days as at 31 December 2015 and 2014.

20 INVENTORIES

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Artworks	16,842	–
Other goods	65	39
	16,907	39

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

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Cash at bank and in hand (a)	61,455	105,403
Less: Restricted cash (b)	–	(1,040)
Cash and cash equivalents	61,455	104,363

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

(b) As at 31 December 2014, restricted cash represents guaranteed deposits held in a separate reserve account that is pledged to the bank as security deposits for bank borrowings (Note 26(b)).

22 SHARE CAPITAL

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

Ordinary shares, issued and fully paid:

	Number of shares (thousands)	Share capital RMB'000
At 1 January and 31 December 2014	438,210	3,851
At 1 January 2015	438,210	3,851
Proceeds from shares issued — employee share award scheme (Note 23)	72	1
At 31 December 2015	438,282	3,852

23 SHARE-BASED COMPENSATION

(a) Share award scheme

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

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

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

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

23 SHARE-BASED COMPENSATION (continued)

(a) Share award scheme (continued)

In April 2015, 1,780,000 shares (2014: Nil) were awarded to eligible participants under the Company's Share Award Scheme. These awarded shares were vested immediately and share-based payments expense of RMB2,743,000 was charged to profit or loss for the year ended 31 December 2015 based on the fair value of shares at grant dates (2014: Nil).

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

	Year ended 31 December			
	2015		2014	
	Number of shares held	Value RMB'000	Number of shares held	Value RMB'000
At 1 January	2,215,000	2,420	2,215,000	2,508
Shares purchased during the year	4,144,000	5,458	–	–
Shares vested during the year	(1,780,000)	(1,909)	–	–
Dividend reinvested to the scheme	–	(44)	–	(88)
At 31 December	4,579,000	5,925	2,215,000	2,420

(b) Shares awarded in respect of Linkchic acquisition

During the year ended 31 December 2013, an aggregate of 1,076,000 shares of the Company were agreed to be issued to eligible participants following the acquisition of 每城美客（北京）網絡科技有限公司 ("Linkchic"). pursuant to the terms and conditions under the agreement for the acquisition of Linkchic, which were set out in the Company's announcement dated 23 April 2013. These awarded shares do not constitute as part of the purchase consideration in respect of the acquisition and they were awarded to the eligible participants for their continuing services in Linkchic, which are to be vested subject to vesting condition over service periods of one to three years from the date of award.

On 13 May 2015, 72,000 shares were issued and vested to the eligible participants for nil consideration. The share capital and share premium were credited by RMB568 and RMB137,675, respectively, based on the fair value of HK$2.32 per share at the grant date. There were 143,200 shares forfeited for the year ended 31 December 2015. Therefore there were 71,200 outstanding unvested awarded shares at 31 December 2015 in respect to the acquisition of Linkchic (31 December 2014: 286,400 shares). For the year ended 31 December 2015, the share-based payment expenses of RMB122,000 was reversed (31 December 2014: RMB203,000 recognized) in the consolidated statement of comprehensive income.

23 SHARE-BASED COMPENSATION *(continued)*

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

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

	Year ended 31 December	
	2015 Number of share options	2014 Number of share options
At 1 January	286,400	1,076,000
Forfeited	(143,200)	(429,600)
Exercised	(72,000)	(360,000)
At 31 December	71,200	286,400

The remaining vesting periods of the shares awarded under the Linkchic acquisition outstanding at 31 December 2015 were as follows:

	As at 31 December 2015	
	Remaining vesting period	**Number of Awarded Shares outstanding**
Shares awarded in		
— April 2013	To 13 May 2016	71,200

24 RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

(b) Dividends

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Final dividends proposed after the end of the financial year of HK2.50 cents (equivalent to RMB2.09 cents) (2014: HK2.50 cents (equivalent to RMB1.97 cents)) per ordinary share	9,171	8,642

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Final dividends 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

24 RESERVES AND DIVIDENDS *(continued)*

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

(i) Share premium

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

(ii) Statutory surplus reserves

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

For the year ended 31 December 2015, RMB4,723,000 (2014: RMB5,199,000) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

(iii) Currency exchange difference

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

(iv) Other reserves

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

25 TRADE AND OTHER PAYABLES

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade payables:		
— Due to third parties	27,047	29,632
Other payables:		
— Advances from customers	15,615	19,123
— Accrued taxes other than income tax (i)	11,161	10,977
— Accrued expenses	6,684	7,374
— Advertising and promotion expenses payable	3,991	6,921
— Salaries, wages, bonus and benefits payable	509	3,598
— Other liabilities	11,673	9,538
	76,680	87,163

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

As at 31 December 2015 and 2014, all trade and other payables of the Group were non-interest bearing, and their fair value, excluding the advances from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Trade payables		
— Within 30 days	22,569	10,902
— Over 31 days and within 90 days	751	13,373
— Over 91 days and within 180 days	288	3,137
— Over 180 days	3,439	2,220
	27,047	29,632

25 TRADE AND OTHER PAYABLES *(continued)*

(c) As at 31 December 2015 and 2014, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
— RMB	70,546	83,069
— HKD	3,582	2,249
— USD	1,432	1,195
— EUR	1,047	559
— Others	73	91
	76,680	87,163

26 BORROWINGS

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Current		
— Unsecured bank borrowings (a)	51,955	59,377
— Secured bank borrowings (b)	26,908	7,865
— Other secured borrowing (c)	14,594	784
	93,457	68,026
Non-current		
— Secured bank borrowings (b)	26,877	34,576
— Other secured borrowing (c)	–	13,742
	26,877	48,318
	120,334	116,344

(a) As at 31 December 2015, unsecured bank borrowings of RMB14,450,000 (31 December 2014: RMB27,600,000) were guaranteed by Mr. Shao, the controlling shareholder of the Company and Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group; and unsecured bank borrowings of RMB10,000,000 (31 December 2014: RMB16,000,000) were guaranteed by Mr. Shao, the controlling shareholder of the Company; and unsecured bank borrowings of RMB10,749,000 (2014: Nil) was guaranteed by the Company;

The remaining unsecured bank borrowings of RMB16,756,000 (31 December 2014: RMB15,777,000) were credit loans.

26 BORROWINGS *(continued)*

(b) As at 31 December 2015, secured bank borrowings of RMB53,785,000 (31 December 2014: RMB38,341,000) were secured by the buildings of the Group with a carrying amount of RMB18,260,000 and HKD102,598,000 (Note 14)(31 December 2014: RMB33,251,000 and HKD104,878,000), among which RMB25,000,000 (31 December 2014: Nil) were guaranteed by Mr. Shao, the controlling shareholder of the Company.

As at 31 December 2014, the remaining secured bank borrowings of RMB4,100,000 were secured by the pledged deposits of RMB1,040,000 (Note 21) and were guaranteed by Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group, which were fully repaid by the Group in 2015.

(c) As at 31 December 2015, other secured borrowing of RMB14,594,000 (31 December 2014: 14,526,000), borrowed from a developer of a property in Hong Kong, was secured by the property with a carrying amount of HKD102,598,000 (also included as pledged assets for bank borrowings as mentioned in Note 26(b)) and was also guaranteed by Mr. Shao, the controlling shareholder of the Company, and Ms. Zhong Yuanhong , a director of one subsidiary of the Group.

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

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Borrowings:		
— RMB	49,450	57,180
— HKD	70,884	59,164
	120,334	116,344

(e) The contractual maturity of borrowings based on the date which is the earliest possible date that the lenders could be required to repay was as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
On demand or within 1 year	93,457	68,026
Between 1 and 2 years	1,952	4,772
Between 2 and 5 years	6,133	13,608
Over 5 years	18,792	29,938
	120,334	116,344

26 BORROWINGS *(continued)*

(f) The weighted average effective interest rates during the year ended 31 December 2015 and 2014 were as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Current		
— RMB	6.20%	6.70%
— HKD	3.94%	3.27%
Non-current		
— RMB	–	7.10%
— HKD	2.30%	2.87%

The fair value of current borrowings equaled their carrying amount as the discounting impact was not significant. The fair value of non-current borrowings approximated their carrying amount as the interest rate was close to market interest rate.

(g) As at 31 December 2015, the Group has unused facilities of RMB12,550,000 (31 December 2014: RMB11,188,700).

27 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated balance sheet:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Deferred income tax assets:		
— to be recovered within 12 months	584	1,610
— to be recovered after more than 12 months	2,207	2,345
	2,791	3,955
Deferred income tax liabilities:		
— to be settled within 12 months	(54)	–
— to be settled after more than 12 months	(3,018)	(888)
	(3,072)	(888)

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

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

Deferred income tax assets	Tax losses to be carried forward	Depreciation in excess of the related depreciation allowances	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	1,002	508	3,698	5,208
Currency exchange adjustment	(14)	–	–	(14)
Credited to the consolidated statement of comprehensive income	4,030	(104)	(2,297)	1,629
At 31 December 2014	5,018	404	1,401	6,823
Currency exchange adjustment	(24)	–	–	(24)
Charged to the consolidated statement of comprehensive income	(2,108)	(104)	(918)	(3,130)
At 31 December 2015	2,886	300	483	3,669

In accordance with the accounting policy set out in Note 2.18, the Group has not recognised deferred tax assets of RMB7,982,000 in respect of accumulative tax losses at 31 December 2015 (2014: RMB4,185,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities. The tax losses arising from Hong Kong operations do not expire under current tax legislation. The tax losses arising from the PRC operations expire five years after the relevant accounting year end.

Deferred income tax liabilities	Depreciation allowances in excess of the related depreciation	Others	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	1,452	887	2,339
Currency exchange adjustment	(14)	–	(14)
Charged to the consolidated statement of comprehensive income	2,318	(887)	1,431
At 31 December 2014	3,756	–	3,756
Currency exchange adjustment	94	–	94
Charged to the consolidated statement of comprehensive income (Note 12)	100	–	100
At 31 December 2015	3,950	–	3,950

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

At 31 December 2015, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB26,575,000 (2014: RMB75,677,000). Deferred tax liabilities of RMB1,329,000 (2014: RMB3,784,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested in their operation rather than remitting them to the Company in the foreseeable future.

28 CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Profit for the year before income tax	25,080	45,254
Adjustments for:		
— Depreciation of property, plant and equipment (Note 14)	17,531	20,540
— Amortisation of intangible assets (Note 15)	10,115	9,442
— Provision for/(reversal of) impairment of receivables (Note 19)	55	(362)
— Share-based compensation expense (Note 23)	2,621	203
— Finance income (Note 10)	(489)	(808)
— Finance expenses (Note 10)	4,908	4,421
— Share of (profits)/losses of an associate (Note 11)	(309)	302
— Share of losses of a joint venture (Note 11)	917	361
— Disposal losses of an associate (Note 11)	–	777
— Impairment losses of available-for-sale financial assets (Note 18)	2,000	–
— Net losses on disposal of property, plant and equipment (Note 7)	358	1,162
— Currency exchange difference	–	(1,102)
Changes in working capital:		
— Increase in trade and other receivables	(22,519)	(24,662)
— Increase/(decrease) in inventories	11,825	(39)
— Decrease in trade and other payables	(10,483)	(11,809)
— Decrease in amount due to related parties	–	(85)
Cash generated from operations	41,610	43,595

28 CASH GENERATED FROM OPERATIONS *(continued)*

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Net book amount (Note 14)	1,118	1,636
Net losses on disposal of property, plant and equipment (Note 7)	(358)	(1,162)
Proceeds from disposal of property, plant and equipment	760	474

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Loans used for settlement of purchase of a property located in Hong Kong by a bank and a developer directly	–	45,618

29 CONTINGENCIES

At 31 December 2015 and 2014, the Group had no material contingent liabilities.

30 COMMITMENTS

(a) Capital commitments

As at 31 December 2015 and 2014, the Group did not have significant capital commitments.

30 COMMITMENTS *(continued)*

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Operating leases expiring:		
— Within 1 year	21,863	24,459
— After 1 year but within 5 years	24,953	22,570
	46,816	47,029

(c) Other commitments

The Group entered into licensing agreements with the publishing partners to obtain the exclusive rights for the sale of advertising spaces in and the distribution of the magazines. As at 31 December 2015, the total future minimum payments under non-cancellable licensing agreements were as follows:

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Licencing agreement expiring:		
— Within 1 year	17,169	29,549
— After 1 year but within 5 years	69,899	86,552
— After 5 years	5,993	29,636
	93,061	145,737

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2015 and 2014, and balances arising from related party transactions as at 31 December 2015 and 2014.

31 RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
Mr. Shao	Founder/Controlling Shareholder/Director of the Group
Dr. Cheng Chi Kong	Director of the Group
Hangzhou Shili	A joint venture of the Group

(b) Transactions with related parties

In addition to the transactions and balances disclosed in Note 26, the Group entered into the following related party transactions during the years ended 31 December 2015 and 2014:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Licensing fee	–	632

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Rental expenses	14,056	14,168

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
(i) Sales of artworks	29,121	–

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 "Artworks 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 sales was recorded as part of the revenue as ordinary course of business. Such transaction under the Artworks Agreement constitutes a connected transaction for the Company under the Listing Rules (Note 5(a)(i)).

31 RELATED PARTY TRANSACTIONS *(continued)*

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

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
(ii) Advertising income	5,239	13,618

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

(c) Receivables from related parties

	As at 31 December	
	2015 RMB'000	2014 RMB'000
Receivable derived from the sale of artworks (i)	18,621	–

(i) During the year ended 31 December 2015, RMB10,500,000 out of the total consideration of RMB29,121,000 was paid by Mr. Shao Zhong. The remaining balance was paid by Mr. Shao Zhong in March 2016.

(d) Key management compensation

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Salaries and allowances	19,775	18,353
Discretionary bonus	–	2,306
Share-based compensation expenses under Share Award Scheme	2,621	–
Social security costs	1,054	826
	23,450	21,485

(e) Investments held by Mr. Shao Zhong on behalf of the Group

During the year ended 31 December 2o15, the Group made prepayments of RMB3,000,000 as an investment of 20% equity interests in Beijing Camart Technology Co., Ltd., and of RMB500,000 as an investment of 7.14% equity interests in Beijing Qingchuangtou Investment Company. Pursuant to the share-holding entrustment agreements entered into between Mr. Shao Zhong and the Group dated on 27 March 2015 and 25 November 2015, respectively, Mr. Shao Zhong is entrusted as registered shareholder of both investments on behalf of the Group.

32 CONTROLLED SPECIAL PURPOSE ENTITY

There was one special purpose entity controlled by the Company, which operates in Hong Kong, particulars of which are as follows:

Special purpose entity	Principal activities
The Modern Media Employees Share Award Plan ("Modern Media Employee Share Trust") operated under Supremo Investment Inc.	Administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees

The Company controls a special purpose entity, Modern Media Employee Share Trust, which is set up solely for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme (Note 23). As the Company has the power to direct the relevant activities of the Modern Media Employee Share Trust and it has the ability to use its power over the Modern Media Employee Share Trust to affect its exposure to returns, the assets and liabilities of the Modern Media Employee Share Trust were included in the Group's consolidated balance sheet and the Company's shares held by the Modern Media Employee Share Trust were presented as a deduction in equity as "Shares held for Share Award Scheme".

As at 31 December 2015, the Company had contributed RMB8,805,000 (31 December 2014: RMB8,805,000) in the Modern Media Employee Share Trust for shares and the amount was recorded as "Investment in subsidiaries" in the Company's balance sheet.

33 EVENTS AFTER THE BALANCE SHEET DATE

After the end of the reporting period, the Directors proposed a final dividend for 2015. Details were disclosed in Note 24(b).

34 BALANCE SHEET OF THE COMPANY

As at 31 December 2015 HK$'000		Note	As at 31 December 2015 RMB'000	2014 RMB'000
	ASSETS			
	Non-current assets			
10,510	Investments in subsidiaries	32	8,805	8,805
	Current assets			
11,333	Other receivables and prepayments		9,495	8,111
221,219	Amounts due from subsidiaries		185,338	150,613
400	Cash and cash equivalents		335	275
232,952			195,168	158,999
243,462	**Total assets**		203,973	167,804
	EQUITY AND LIABILITIES			
	Equity attributable to owners of the company			
4,598	Share capital		3,852	3,851
168,655	Reserves	(a)	141,300	133,229
9,292	Retained earnings	(a)	7,785	10,180
182,545	**Total equity**		152,937	147,260
	LIABILITIES			
	Non-current liabilities			
32,081	Borrowings		26,877	–
	Current liabilities			
284	Other payables		238	224
22,276	Borrowings		18,663	15,777
6,276	Amounts due to subsidiaries		5,258	4,543
28,836			24,159	20,544
243,462	**Total equity and liabilities**		203,973	167,804

The balance sheet of the Company was approved by the Board of Directors on 14 March 2016 and was signed on its behalf

Shao Zhong **Mok Chun Ho, Neil**

34 BALANCE SHEET OF THE COMPANY (continued)

(a) Reserve movements of the Company

	Share premium	Currency exchange reserve	Retained earnings	Total
As at 1 January 2014	144,357	(10,769)	20,884	154,472
Dividends relating to 2013 (Note24(b))	–	–	(17,319)	(17,319)
Employee share-based compensation	688	–	–	688
Profit for the year	–	–	6,615	6,615
Other comprehensive income	–	(1,047)	–	(1,047)
As at 31 December 2014	145,045	(11,816)	10,180	143,409
As at 1 January 2015	145,045	(11,816)	10,180	143,409
Dividends relating to 2014 (Note24(b))	–	–	(8,642)	(8,642)
Employee share-based compensation	138	–	–	138
Profit for the year	–	–	6,247	6,247
Other comprehensive income	–	7,933	–	7,933
As at 31 December 2015	145,183	(3,883)	7,785	149,085

35 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The total remuneration of directors and the chief executives for the years ended 31 December 2015 and 2014 was set out as follows:

	Year ended 31 December	
	2015 RMB'000	2014 RMB'000
Directors		
Salaries and allowances	11,152	10,847
Share award scheme	2,743	–
Directors' fees	779	732
Social security costs	417	571
Discretionary bonuses and allowances	–	2,132
	15,091	14,282

35 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

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

(ii) The Company has granted 1,780,000 shares under its share award scheme adopted on 24 August 2009 during the year ended 31 December 2015 (Note 23 (a)) (2014: Nil).

(iii) The remuneration of every director and chief executive for the years ended 31 December 2015 was set out as follows:

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of medical insurance and other social insurance RMB'000	Employer's contribution to retirement plan RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Share-based compensation RMB'000	Total RMB'000
Year ended 31 December 2015										
Executive Directors										
Shao Zhong (邵忠)*	–	2,208	–	876	40	40	–	–	–	3,164
WONG Shing Fat**	–	3,168	–	516	132	–	–	–	770	4,586
Li Jian (厲劍)***	–	842	–	107	23	23	–	–	770	1,765
MOK Chun Ho, Neil	–	1,283	–	140	49	–	–	–	678	2,150
Cui Jianfeng (崔劍鋒)****	–	885	–	116	33	23	–	–	525	1,582
Yang Ying (楊瑩)*****	–	400	–	200	14	14	–	–	–	628
Li Jian (李劍)*****	–	291	–	120	10	16	–	–	–	437
Non-executive Director										
CHENG Chi Kong	185	–	–	–	–	–	–	–	–	185
Independent non-executive Directors										
Jiang Nanchun (江南春)	132	–	–	–	–	–	–	–	–	132
Wang Shi (王石)	132	–	–	–	–	–	–	–	–	132
AU-YEUNG Kwong Wah	330	–	–	–	–	–	–	–	–	330
Total	779	9,077	–	2,075	301	116	–	–	2,743	15,091

35 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

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

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

	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Housing allowance RMB'000	Estimated money value of medical insurance and other social insurance RMB'000	Employer's contribution to retirement plan RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Share-based compensation RMB'000	Total RMB'000
Year ended 31 December 2014										
Executive Directors										
Shao Zhong (邵忠)*	–	2,154	–	876	37	37	–	–	–	3,104
WONG Shing Fat**	–	3,036	634	516	256	–	–	–	–	4,442
Li Jian (厲劍)***	–	1,456	634	198	37	37	–	–	–	2,362
MOK Chun Ho, Neil	–	1,217	432	132	95	–	–	–	–	1,876
Cui Jianfeng (崔劍鋒)****	–	1,064	432	198	43	29	–	–	–	1,766
Non-executive Director										
CHENG Chi Kong	181	–	–	–	–	–	–	–	–	181
Independent non-executive Directors										
Mao Xiaofeng (毛曉峰)******	77	–	–	–	–	–	–	–	–	77
Jiang Nanchun (江南春)	132	–	–	–	–	–	–	–	–	132
Wang Shi (王石)	132	–	–	–	–	–	–	–	–	132
AU-YEUNG Kwong Wah	210	–	–	–	–	–	–	–	–	210
Total	732	8,927	2,132	1,920	468	103	–	–	–	14,282

* Shao Zhong (邵忠) was appointed as the chief executive director of the Group with effect from 1 September 2015.

** WONG Shing Fat resigned from the position as the chief executive director of the Group and was appointed as the vice-chairman with effect from 1 September 2015.

*** Li Jian (厲劍) was appointed as a non-executive director of the Group with effect from 15 July 2015. He has tendered his resignation as a non-executive director with effect from 19 November 2015.

**** Cui Jianfeng (崔劍鋒) resigned as an executive director and chief investment officer of the Group and ceased to be one of the authorised representatives with effect from 31 August 2015.

***** Yang Ying (楊瑩) and Li Jian (李劍) were appointed as executive director of the Group with effect from 1 September 2015.

****** Mao Xiaofeng (毛曉峰) resigned from independent non-executive director on 31 July 2014.

35 BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

36 APPROVAL AND AUTHORIZATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 14 March 2016.

Five Year Financial Summary

RESULTS

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Turnover	595,725	603,801	631,180	655,313	586,186
Profit before taxation	25,080	45,254	51,432	92,752	85,069
Income tax	(4,489)	(7,461)	(18,245)	(27,484)	(24,791)
Profit for the year	20,591	37,793	33,187	65,268	60,278

ASSETS AND LIABILITIES

	2015 RMB'000	2014 RMB'000	2013 RMB'000	2012 RMB'000	2011 RMB'000
Total assets	679,744	675,822	621,849	595,751	552,192
Total liabilities	(207,751)	(217,224)	(183,265)	(175,485)	(187,717)
Total equity	471,993	458,598	438,584	420,266	364,475

Note: The Company was incorporated in The Cayman Islands on 8 March 2007 and became the holding company of the companies now comprising the Group with effect from 24 August 2009 upon the completion of the Group Reorganisation as set out in the Company's prospectus dated 28 August 2009 ("Prospectus").

現代傳播集團

MODERN MEDIA GROUP

香港 HONG KONG
香港香港仔黄竹坑道21號環匯廣場7樓
7/F, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong
Tel: (852)2250 9188 Fax: (852)2838 8745 E-mail: hk@modernmedia.com.cn

廣州 GUANGZHOU
廣州市珠江新城華夏路8號合景國際金融廣場第15樓 郵編：510623
15/F, International Finance Place, No.8 Huaxia Road, Zhujiang New Town,
Tianhe District, Guangzhou, 510623, China
Tel: (8620)3879 1622 Fax: (8620)3879 1623 E-mail: gz@modernmedia.com.cn

上海 SHANGHAI
上海市淮海中路300號香港新世界大廈49樓 郵編：200021
49/F, HongKong New World Tower, No.300, Middle Huaihai Road, Shanghai 200021, China
Tel: (8621) 6335 3637 Fax: (8621)6335 3635 E-mail: sh@modernmedia.com.cn

北京 BEIJING
北京市朝陽區工體東路中國紅階甲2號5樓 郵編：100027
5/F, No.A2, China View, East Gongti Road, Chaoyang District, Beijing 100027, China
Tel: (8610)6561 5550 Fax: (8610)6561 0819 E-mail: bj@modernmedia.com.cn

深圳 SHENZHEN
深圳市福田區竹子林紫竹陸路金民大廈1801-1804室 郵編：518040
Suite 1801-1804, Jinmin Building, Zizhu Sixth Road, Zhuzilin,
Futian District, Shenzhen 518040, China
Tel: (86755)8831 6511 Fax: (86755)8831 6986 E-mail: sz@modernmedia.com.cn

杭州 HANGZHOU
杭州拱墅區湖墅路356號錦繡家園1幢3單元501室 郵編：310000
Room 501, Unit 3, Building 1, Beautiful Home, No.356 Hushu Road
Gongshu District, Hangzhou, Zhejiang 310000, China
Tel: (86571)8839 4938 Fax: (86571)8839 4938

成都 CHENGDU
成都市高新區益州大道北段388號城市春天8棟A座319室 郵編：610000
Room 319, Unit A, Building 8, City Spring, No.388Yizhou Avenue North Road,
High Tech Zone, Chengdu 610000, China
Tel: (028) 8620 2278 Fax: (028) 8620 2278

南京 NANJING
南京市鼓樓區山西南村3幢丁單元102室 郵編：210000
Room 102, Building 3, Shanxi South Village, Gulou District, Nanjing 210000, China
Tel: (8625)8472 2750 Fax: (8625)8472 2750

哈爾濱 HARBIN
哈爾濱市道裡區中央大街160號天植大酒店502室 郵編：150010
Room 502, Tianzhi Hotel, No.160, Center Street, Daoli District, Harbin 150010, China
Tel: (86451)8464 1502 Fax: (86451)8464 1502