

# INTERIM REPORT 2017

MODERN MEDIA HOLDINGS LIMITED

現代傳播控股有限公司

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

瞬息



現代傳播  
Modern Media

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Shao Zhong (*Chairman*)  
Mr. Wong Shing Fat  
Mr. Mok Chun Ho, Neil  
Ms. Yang Ying  
Mr. Li Jian  
Mr. Deroche Alain, Jean-Marie, Jacques

### Non-executive Director

Dr. Cheng Chi Kong (*Vice Chairman*)  
(resigned with effect from 26 August 2017)

### Independent Non-executive Directors

Mr. Jiang Nanchun  
Mr. Wang Shi  
Mr. Au-Yeung Kwong Wah  
Dr. Gao Hao

## AUDIT COMMITTEE

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

## NOMINATION COMMITTEE

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

## REMUNERATION COMMITTEE

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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

## COMPANY SECRETARY

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

## AUTHORISED REPRESENTATIVES

Mr. Shao Zhong  
Mr. Mok Chun Ho, Neil

## AUDITORS

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

## LEGAL ADVISERS AS TO HONG KONG

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

# Corporate Information

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units A2, 4/F, Exhibition Centre  
No. 1 Software Park Road, Zhuhai City  
Guangdong Province, the PRC

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Global Trade Square  
No. 21 Wong Chuk Hang Road  
Aberdeen, Hong Kong

## PRINCIPAL BANKERS IN HONG KONG

Bank of China (HK) Limited  
Wing Lung Bank Limited

## PRINCIPAL BANKERS IN THE PRC

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

## REGISTERED OFFICE

P.O. Box 10008  
Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Service (Cayman Islands) Limited  
P.O. Box 10008, Willow House  
Cricket Square  
Grand Cayman KY1-1001  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## STOCK CODE

Stock Code: 72

## WEBSITE

[www.modernmedia.com.cn](http://www.modernmedia.com.cn)

# Management Discussion and Analysis

## RESULT SUMMARY

In the first half of 2017, Chinese economy was still facing challenges on multiple aspects: declining external demand, overcapacity in individual sectors, and various problems arising from rebalancing of economy from industry to service, etc. Along with the structural transition that China is going through, there were growing doubts on financial stability and increased uncertainties of economic risks. The Chinese government continues to implement anti-corruption policies and advocates economization, especially in luxury goods consumption. This causes the brand advertisers to remain cautious and conservative in their advertising spending. Meanwhile, the increasing presence of technology and digitalization and shift of readers' preference for digital media over print media had caused significant downturn in traditional print media industry, which severely impacted our business; management is looking for ways of implementing transformative measures in order to maintain our market competitiveness.

Under the tough operating environment as mentioned above, the Company and its subsidiaries (the "Group") had recorded a decrease in revenue of approximately 16.0% to RMB170.8 million in the first half of 2017 as compared with the corresponding period in 2016 (2016: RMB203.4 million), the decline was mainly due to the substantial decrease in print advertising revenue as a result of the downturn experienced by the print media industry. During the past six months ended 30 June 2017 (the "Interim Period"), the Group reported a loss attributable to equity shareholders of approximately RMB50.0 million (2016: RMB68.9 million) which represented a significant improvement in the financial performance with a loss to be narrowed down by 27.4%.

The Group has successfully implemented a series of cost control measures since the second half of 2016, as a result the loss occasioned during the Interim Period was narrowed as compared to the first half of 2016, despite the decline in revenue. Management will continue to review and maintain the optimal magazine portfolio, and meanwhile look for opportunities in new business areas, so as to turnaround the loss-making situation in future.

During the Interim Period, one of our flagship printed publications, "Modern Lady Weekly", had been rebranded into "INSTYLE 優家畫報" by cooperating with the renowned international female magazine "InStyle" published by Time Inc.. "INSTYLE 優家畫報" has since been upgraded by incorporating the proprietary features of the InStyle brand and editorial materials published in InStyle magazine; moreover, a digital application entitled "INSTYLE iLady" was launched simultaneously along with the rebranding of the magazine. Management believes that the rebranding will have an upgrade of the publication contents and bring in additional advertising revenue stream, which ultimately benefits our shareholders. For further details of the rebranding, please refer to the Company's announcement dated 5 May 2017.

# Management Discussion and Analysis

## RESULT SUMMARY (Continued)

Furthermore, a joint venture formed by the Group and two independent third parties entered into an asset acquisition agreement with a wholly-owned subsidiary of a leading international fashion house in the second quarter of 2017, so as to create and distribute media content on various video and social media channels under the brand name of “Nowness”. “Nowness” is a video channel which focuses on global art and culture segments, the Group plans to use “Nowness” channel to expand its media distribution channels in order to reach a larger number of user on global basis. For further details of the acquisition, please refer to the Company’s announcement dated 2 June 2017.

Since the second half of 2015, the Group had strategically restructured its business into two business segments, namely “print media and art” and “digital media and television”. During the Interim Period, print media remained as the major income contributor of advertising revenue. As at 30 June 2017, the segment results are as follows:

	<b>Print Media and Art</b>	<b>Digital Media and TV</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>2017</b>			
Reported segment revenue	126,730	45,110	171,840
Reportable segment profit/(loss)	(52,792)	2,048	(50,744)
Segment EBITDA	(42,312)	4,807	(37,505)
<b>2016</b>			
Reported segment revenue	161,186	45,029	206,215
Reportable segment loss	(69,376)	(2,334)	(71,710)
Segment EBITDA	(57,133)	991	(56,142)

In regard to the segment results, the segment revenue for the print media and art in first half of 2017 suffered a decline of 21.4% when compared with that of 2016, as a result of the significant downturn in traditional print industry as well as tightening spending by those luxury brand advertisers, the segment profit decreased correspondingly along with the sales drop. On the other hand, the digital media and TV segment recorded a slight increase in segment revenue during the Interim Period, segment profit of digital media and TV improved significantly as compared to the same period of last year, this is mainly due to that professional fees of around RMB5.1 million related to the proposed spin-off of the digital media and television business of the Group was charged to the income statement in the interim period of 2016.

# Management Discussion and Analysis

## (A) BUSINESS REVIEW

### Print Media and Art

The Group commenced the year 2017 with six weekly/bi-weekly and seven monthly/bi-monthly magazines in the PRC and Hong Kong.

Along with the severe decline in print media industry, the advertising market of magazine category in China suffered a decrease of 23.4% in the first half of 2017 as compared to the same period last year.

*\*Remarks:* advertising information from this paragraph is extracted from Advertising Expenditure Report of First Half of 2017 produced by CTR.

During the Interim Period, the Group's portfolio of magazine titles contributed the advertising revenue of approximately RMB127.4 million (2016: RMB155.6 million), recorded a decline of approximately 18.1% as compared to the corresponding period in 2016, which was in line with the downward trend in magazine advertising market.

To cope with the tough condition in the aforesaid advertising market of magazine category, our Group had made every effort to achieve a satisfactory performance in the Interim Period. Despite the drop in advertising revenue, our flagship magazine, "Modern Weekly", still ranked No.2 in terms of revenue in weekly magazine market according to audit report by Admango and continued to maintain an irreplaceable position among most of print media brand advertisers. Moreover, the supplement issue of "The Art Newspaper" has enlarged our readers' base and continues to attract new advertising client portfolio, including some international auction house and art galleries etc., which created extra revenue of RMB2.9 million during the Interim Period.

The revenue of another flagship magazine of the Group, "Modern Lady Weekly", has also suffered under the downward trend of macro environment in magazine market. However, as mentioned in previous section, by cooperating with Time Inc., "Modern Lady Weekly" had been rebranded into "INSTYLE 優家畫報" in May 2017, the magazine had experienced upgrades in terms of contents, design and layout etc, which makes it more attractive to brand advertisers, as a result, "INSTYLE 優家畫報" recorded an increase in advertising revenue of 5.2% from May to June as compared to the same period last year. The reader's club of "INSTYLE 優家畫報", "You Jia Hui" (優家薈), has becoming more and more attractive to those female elites after running a series of events in several cities, the number of members of "You Jia Hui" had kept increasing during the Interim Period, and the club membership fees had created additional income to the Group.

# Management Discussion and Analysis

## (A) BUSINESS REVIEW (Continued)

### Print Media and Art (Continued)

“Bloomberg Businessweek/China” (Simplified Chinese edition) has also recorded a decrease in advertising revenue as compared to the corresponding period in 2016. Nonetheless, according to the market research conducted by Admango, by comparing with 40 other business and financial magazines, it ranked No.5 in terms of the advertising revenue in all categories. Moreover, “Bloomberg Businessweek/China” (Traditional Chinese edition) had organized several finance marketing events and forums in Hong Kong and China and those events enhanced the market recognition among the readers and most of the financial institutions. As such, the advertising performance of this magazine in the first half of 2017 was similar to the same period in 2016, irrespective of the declining magazine advertising industry.

Advertising revenues of other monthly magazines operated by the Group in the PRC and Hong Kong recorded different performances. Some titles such as “Numero” and “IDEAT” recorded rising advertising revenue as compared to the same period of last year, whilst some other monthly titles experienced revenue declines as per the general trend of the Group’s print media business. The Group will continue to review such portfolio of monthly magazine and target to attain an optimal operating result in 2017 and onwards.

During the Interim Period, art related revenue had contributed approximately RMB3.9 million to our Group’s income, which included the advertising revenue and event income from our art-related magazines — LEAP and the Art Newspaper.

### Digital Media & TV

As at the end of Interim Period, the “iWeekly” users on smartphone and tablet had accumulated to 14.4 million, growing 7.5% from the same period of last year. “iWeekly” continuously upgraded its content by incorporating the selected contents from some famous international media brands, which enriched its globalized contents and further enlarge the readers’ base and increase their adherence. It continued to be recognized as one of the most successful Chinese media applications on the Apple’s and Android’s platforms. “iWeekly” was also incorporated a daily news radio broadcast function, the improvement in function capability is also expected to enhance user frequency and develop reader loyalty to the App.

“Bloomberg Businessweek 商業周刊中文版” has also broadened its user base on smartphone and tablet PC by reaching 8.2 million users accumulatively, growing 15.5% from the same period of last year. Moreover, “Bloomberg Businessweek 商業周刊中文版” iPhone version had maintained Top 2 in Newsstand Top Crossing List in App Store. “Bloomberg Businessweek 商業周刊中文版” is expected to follow the successful footprint of “iWeekly” and is likely to become another main income generator in our digital media business.



# Management Discussion and Analysis

## (A) BUSINESS REVIEW (Continued)

### Digital Media & TV (Continued)

“INSTYLE iLady”, which was upgraded along with the rebranding of “Modern Lady Weekly”, continued to be a comprehensive informative platform for elite women, has already accumulated more than 6.0 million users as at the end of Interim Period as compared to approximately 4.8 million users as at the end of the Interim period in 2016, which represented a 25.0% rise. By offering the “Ready-to-Buy” digital media experience to users, “INSTYLE iLady” was well-accepted by both the users and brand advertisers. Moreover, “INSTYLE iLady” has successfully integrated Metroer.com into its platform, where comprehensive solutions are provided for targeted customers on behalf of brand clients. As the App could effectively bring traffic to some advertiser’s shopping platform or their official websites, “INSTYLE iLady” has increased its popularity amongst the brand advertisers and is becoming one of the main revenue streams of our digital business.

The TV media team created add-value by focusing on the customized productions for its brand advertisers. TV media had achieved a revenue of RMB1.7 million (2016: RMB3.6 million) during the Interim Period. Our TV team is looking for new opportunities to enlarge its client portfolio and endeavors for better performance in the second half of the year.

We are confident that with the enlargement of the user base of our App products, our digital business will further generate considerable revenue and achieve remarkable business growth in the future.

## (B) BUSINESS OUTLOOK

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

The Group has realized its corporate re-branding and expanded the business strategy into the “M-cube” direction, i.e. “Modern Media”, “Modern Digital” and “Modern Momentum”.

“Modern Media” includes our printed magazines portfolio, which is still the leading core media in the PRC market for the brand advertisers of high-end luxury goods and lifestyle products. We believe that the advertising markets as regards the brand advertisers will rebound along with the economic growth of the PRC in future. The Group will strive to develop and maintain its renowned content quality for the needs of the significantly growth of elites’ population. In addition, the Group will continue to review its magazines portfolio or launch new magazines with different contents so as to cater for the needs of customers and readers from specific segments.

# Management Discussion and Analysis

## **(B) BUSINESS OUTLOOK** (Continued)

“Modern Digital” has been the driving force of our business growth in the past few years. The Group perceives that being innovative is the key to maintain competitiveness in the digital media industry; therefore, apart from upgrading and adding new functions to our existing Apps, we also keep developing new Apps. Furthermore, during the interim period, the Group has acquired an international video website “Nowness”, which is an influential media in the fashion industry. The website won several international video awards in the past few years. By actively producing videos with refined and distinctive contents, the Group aims at attracting and raising the number of downloads in Greater China and South East Asia, so as to increase revenue from advertising expenditure. Moreover, the Group will utilize the brand of “Nowness” to develop a series of extended businesses, including opening brand experience stores, launching derived products, opening theme bars and opening brand academies, in order to expand the sources of incomes; the Group will also investigate on adding a function in the website so that customers can immediately purchase after preview, and will gradually develop assisted purchase on e-commerce.

Although we temporarily suspend the spin-off of our digital business owing to the volatility of the capital market, we still keep track on the market situation and may resume the project in due course in future.

“Modern Momentum” becomes the new driving force of the Group by means of our existing ample resources in well-experienced marketing experts and our networks with models, celebrities and artists, etc. Taking “Photo Shanghai” as an example, the Group together with Montgomery, an international leading art exhibition organiser, have conducted a very successful photo exhibition in Shanghai since 2014. The exhibition has caught extensive attention and has been highly recognized by both visitors and commercial sponsors. With the successful case of “Photo Shanghai”, the Group will organize a series of trade fairs with different themes regarding art, LOHAS, creativity, culture, business and design and believes that we will benefit from the fairs.

Looking forward, the management believes that the further development of the “M-cube” direction together with stringent cost control measures would help the Group materialize a turnaround from loss in the foreseeable future.

## **DIVIDEND**

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any interim dividend (2016: Nil). The Directors will consider the final dividend after evaluating the full-year financial performance of 2017.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

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

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

During the Interim Period, the Group recorded a net cash outflow in operating activities of RMB2.6 million (2016: net cash outflow: RMB0.7 million). The increase in net cash outflow in operating activities was largely due to the decline in sales proceeds received as a result of drop in revenue. The Group recorded a net cash inflow in investing activities of RMB3.9 million for the Interim Period which mainly comprised of redemption of commercial bank financing products and receipts of proceeds from disposal of property in Hangzhou, set off by payment for leasehold improvement on new offices in Shanghai and purchase of office furniture and equipment. The Group recorded a net cash inflow in financing activities of RMB21.9 million, which mainly consisted of proceeds received in advance from the disposal of partial interest in a subsidiary of RMB43.0 million, net repayment of borrowings of RMB14.4 million and dividend payment of RMB3.9 million.

As of 30 June 2017, the Group had available banking facilities approximately RMB114.4 million and of which RMB110.6 million had been utilized. All its bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in Hong Kong Dollars (HK\$) and Renminbi (RMB).

### Net cash and gearing

As at 30 June 2017, the Group's net borrowing was approximately RMB30.2 million which was made up of bank borrowings of approximately RMB110.6 million and bank deposits and cash of approximately RMB80.4 million. The gearing ratio as at 30 June 2017 was 17.5% (31 December 2016: 18.4%), which was calculated based on the total debts divided by total assets.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES (Continued)

### Net cash and gearing (Continued)

As at 30 June 2017, the total borrowings of the Group were repayable as follows:

	<b>At 30 June 2017 RMB'000</b>	At 31 December 2016 RMB'000
Within 1 year or on demand	<b>72,139</b>	100,563
After 1 year but within 2 years	<b>2,435</b>	2,242
After 2 years but within 5 years	<b>7,639</b>	6,710
After 5 years	<b>28,435</b>	17,690
	<b>38,509</b>	26,642
	<b>110,648</b>	127,205

### Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on leasehold improvement, software development in progress and prepayment of an equity investment of approximately RMB23.3 million (corresponding period of 2016: RMB 7.6 million).

At 30 June 2017, the Group had capital commitment of RMB12.0 million contracted but not provided for equity investments.

# Management Discussion and Analysis

## **CONTINGENT LIABILITIES AND PLEDGE OF ASSETS**

As at 30 June 2017, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

As at 30 June 2017, the Group's bank loans of RMB43.0 million was secured by the Group's office properties in Beijing, which were guaranteed by Mr. Shao, the controlling shareholder of the Group; the Group's bank loan of RMB67.6 million were secured by the office apartment in Hong Kong.

As at 30 June 2017, the Group's printing credit line in an amount of approximately RMB6.6 million was secured by corporate guarantee given by the Company.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

On 27 July 2017, Modern Digital Holding Limited ("MDHL"), a subsidiary of the Company, has completed the allotment of (i) 428,570 shares to an independent third party, Hong Kong Septwolves Invest-Holding Limited, at the subscription price of RMB43,050,000 and (ii) 1 share to the Company, at a subscription price of RMB36,600,000 (collectively, the "Subscriptions"). Following the completion of the Subscriptions, the Group's interest in MDHL will be diluted from 100% to 70%, which give rise to a deemed disposal pursuant to Rule 14.29 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). Details of the Subscriptions have been set out in the Company's announcements dated 10 March 2017, 22 March 2017 and 4 August 2017.

Save and except the Subscriptions of shares of MDHL and the formation of a joint venture for asset acquisition from in relation to "Nowness" as disclosed in the paragraph headed "Result Summary" in this section above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## **FOREIGN EXCHANGE RISKS**

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

# Management Discussion and Analysis

## EMPLOYEES

As at 30 June 2017, the Group had a total of 673 staff (as at 31 December 2016: 703 staff), whose remunerations and benefits are determined based on market rates, state policies and individual performance. The decrease in the number of employees was mainly due to the rationalization of the organization structure of the Group.

By Order of the Board  
**Modern Media Holdings Limited**  
**Shao Zhong**  
*Chairman and Executive Director*

25 August 2017

# Corporate Governance and Other Information

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules or as otherwise notified to the Company.

### Long Positions in the Company

Name of Director	Company/Name of Group member	Capacity/ Nature of interest	Number of ordinary shares of the Company held	Approximate % of issued share capital
Shao Zhong ("Mr. Shao")	The Company	Beneficial owner	280,960,000	64.09%
Wong Shing Fat	The Company	Beneficial owner	2,152,000	0.49%
Mok Chun Ho, Neil	The Company	Beneficial owner	2,304,000	0.53%
Yang Ying	The Company	Beneficial owner	110,000	0.03%
Deroche Alain	The Company	Beneficial owner	94,000	0.02%

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%

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

# Corporate Governance and Other Information

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Approximate % of equity interest</b>
Mr. Shao	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*, "Beijing Yage Zhimei")	Interest of controlled corporations (Note 3)	100%
Mr. Shao	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*, "Guangzhou Modern Information")	Beneficial owner	100%
Mr. Shao	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.*, "Guangzhou Modern Books")	Beneficial owner	90%
Mr. Shao	Guangzhou Modern Books	Interest of controlled corporations (Note 4)	10%
Mr. Shao	上海格致廣告有限公司 (Shanghai Gezhi Advertising Co., Ltd.*, "Shanghai Gezhi")	Interest of controlled corporations (Note 5)	100%
Mr. Shao	上海雅格廣告有限公司 (Shanghai Yage Advertising Co., Ltd.*, "Shanghai Yage")	Interest of controlled corporations (Note 6)	100%
Mr. Shao	深圳雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*, "Shenzhen Yage Zhimei")	Interest of controlled corporations (Note 7)	100%
Mr. Shao	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*, "Zhuhai Modern Zhimei")	Interest of controlled corporations (Note 8)	100%

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



# Corporate Governance and Other Information

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity</b>	<b>Approximate % of equity interest</b>
Mr. Shao	珠海銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu")	Beneficial owner	90%
Mr. Shao	Zhuhai Yinhu	Interest of controlled corporations (Note 9)	10%
Mr. Shao	廣州摩登視頻傳媒有限公司 (Guangzhou Modern Video Media Co., Ltd.*, "Guangzhou Modern Video")	Interest of controlled corporations (Note 10)	100%
Mr. Shao	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited*, "Guangzhou Mobile Digital")	Beneficial owner	95%
Mr. Shao	Guangzhou Mobile Digital	Interest of controlled corporations (Note 11)	5%
Mr. Shao	上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Beneficial owner (Note 12)	100%

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

# Corporate Governance and Other Information

## Notes:

1. The letter "L" denotes the Director's long position in the Shares.
2. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.
3. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest 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 Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.
4. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.
5. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.
6. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporation.
7. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.
8. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.
9. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao's controlled corporation.
10. Guangzhou Modern Video, is held as to 100% by Guangzhou Mobile Digital, the equity interest of which is held as to 95% by Mr. Shao and as to 5% by Shanghai Senyin. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Video held by Shanghai Senyin, which is Mr. Shao's controlled corporation.
11. Guangzhou Mobile Digital is held as to 95% by Mr. Shao and as to 5% by Shanghai Senyin. Mr. Shao is accordingly deemed by the SFO to be interested in the 5% equity interest in Guangzhou Mobile Digital held by Shanghai Senyin which is Mr. Shao's controlled corporation.
12. Shanghai Senyin is held as to 95% by Mr. Shao and 5% by Ms. Zhong Yuanhong, an employee of the Group, on trust for Mr. Shao.

# Corporate Governance and Other Information

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30 June 2017, the Company had been notified of the following shareholder other than Directors having interests in shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at 30 June 2017
Madam Zhou Shao-min (Note 1)	Interest of spouse	280,960,000	64.09%
FIL Limited	Beneficial owner	34,572,000	7.89%
Harmony Master Fund (Note 2)	Beneficial owner	23,088,000	5.27%
United Achievement Limited (Note 3)	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. (Note 3)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC (Note 3)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. (Note 3)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. (Note 3)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, LLC (Note 3)	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%

\*Notes:

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

# Corporate Governance and Other Information

2. Harmony Master Fund (“Harmony Fund”) is a long-only equity fund registered in the Cayman Islands. Harmony Fund is managed by DM Fund Management Limited, a company registered in the Cayman Islands and a subsidiary of DM Capital Limited, a company incorporated in the British Virgin Islands. Harmony Fund primarily holds long equity positions in small capitalization stocks that derive a majority of their revenues within the Greater China region. The fund adopts a fundamentals-driven bottom-up approach to stock selection focusing on high growth, high quality and under-reported investment opportunities that are attractively valued. Upon building an investment position, the fund will exercise a “Friendly Activist” approach seeking to constructively engage portfolio companies and add value through guiding improvements in fundamental characteristics such as corporate governance and company strategy. The figure shown in the above table is based on a confirmation received from Harmony Fund (and according to the relevant DI Notice in connection with the Company available on [www.hkex.com.hk](http://www.hkex.com.hk) as at 30 June 2017, the number of shares as reported in such notice to be held by the relevant shareholder was 22,244,000).
3. According to the corporate substantial shareholder notice of Warburg Pincus & Co. dated 23 May 2011, United Achievement Limited is 96.9% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly and indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by United Achievement Limited.

## SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the Awards made up to 30 June 2017 are set out in note 16(c) of condensed consolidated interim financial information as stated in this interim report.

## SHARE OPTIONS

A share option scheme (“Scheme”) was conditionally adopted by a resolution in writing passed by the then sole shareholder of the Company on 24 August 2009. Under the Scheme, the Directors may grant options to subscribe for shares of the Company to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 1 January 2017 and 30 June 2017.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

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

# Corporate Governance and Other Information

## **CORPORATE GOVERNANCE**

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

## **AUDIT COMMITTEE**

During the Interim Period, the audit committee of the Board (“Audit Committee”) comprises four independent non-executive Directors. The Chairman of the Audit Committee possesses appropriate professional qualification and experience in financial matters.

The Audit Committee has reviewed the unaudited interim financial report for the six months period ended 30 June 2017 with no disagreement with the accounting treatment adopted by the Company.

## **REMUNERATION COMMITTEE**

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

## **NOMINATION COMMITTEE**

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

## **ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE**

The Environmental, Social and Governance Committee currently comprises three executive Directors, one independent non-executive Director and one member of senior management. They are responsible for formulating policies and implementing procedures to deal with environmental, social and governance affairs of the Group.

# Corporate Governance and Other Information

## **COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

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

## **EVENT AFTER THE REPORTING PERIOD**

Dr. Cheng Chi Kong ("Dr. Cheng") resigned from the positions of the vice-chairman of the Board and a non-executive Director with effect from 26 August 2017. Notwithstanding the above resignation, Dr. Cheng is willing to accept the appointment to be an honorary vice-chairman of and chief strategic advisor to the Group with effect from 26 August 2017. Dr. Cheng will give input as a consultant and adviser to the Group relating to the Group's future business development and corporate strategy. For further details, please refer to the announcement of the Company dated 27 August 2017.

Save as disclosed above, no other material events occurred after the reporting period.

## **PUBLICATION**

The interim results announcement of the Company for the Interim Period is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Group ([www.modernmedia.com.cn](http://www.modernmedia.com.cn)) respectively. The 2017 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

# Report on Review of Condensed Consolidated Interim Financial Information



**To the Board of Directors of Modern Media Holdings Limited**

*(incorporated in the Cayman Islands with limited liability)*

## **INTRODUCTION**

We have reviewed the interim financial information set out on pages 24 to 56, which comprise the condensed consolidated statement of financial position of Modern Media Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34.

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

## **SCOPE OF REVIEW**

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

# Report on Review of Condensed Consolidated Interim Financial Information

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

Level 12

28 Hennessy Road

Wanchai

Hong Kong

25 August 2017

Lee Lai Lan, Joyce

Practising Certificate No.: P06409



# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

Six months ended 30 June 2017 HK\$'000 (Unaudited) (Note 2)		Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>196,553</b>	<b>Revenue</b>	5	<b>170,812</b>	203,368
<b>(125,889)</b>	Cost of sales		<b>(109,402)</b>	(133,194)
<b>70,664</b>	<b>Gross profit</b>		<b>61,410</b>	70,174
<b>865</b>	Other income	6	<b>752</b>	3,184
<b>(60,324)</b>	Distribution expenses		<b>(52,424)</b>	(73,316)
<b>(65,353)</b>	Administrative expenses		<b>(56,794)</b>	(66,848)
<b>(54,148)</b>	<b>Operating loss</b>		<b>(47,056)</b>	(66,806)
<b>173</b>	Finance income	7	<b>150</b>	117
<b>(2,823)</b>	Finance expenses	7	<b>(2,453)</b>	(2,851)
<b>(2,650)</b>	Finance expenses — net		<b>(2,303)</b>	(2,734)
<b>(659)</b>	Share of post-tax losses of associates		<b>(573)</b>	(258)
<b>(20)</b>	Share of post-tax losses of a joint venture		<b>(17)</b>	(112)
<b>(57,477)</b>	<b>Loss before income tax</b>	7	<b>(49,949)</b>	(69,910)
<b>(56)</b>	Income tax (expense)/credit	8	<b>(49)</b>	972
<b>(57,533)</b>	<b>Loss for the period</b>		<b>(49,998)</b>	(68,938)
<b>Other comprehensive (loss)/income for the period</b>				
<i>Items that may be subsequently reclassified to profit or loss</i>				
<b>(4,014)</b>	Exchange differences on translation of financial statements of overseas subsidiaries		<b>(3,488)</b>	3,447
<b>(61,547)</b>	<b>Total comprehensive loss for the period</b>		<b>(53,486)</b>	(65,491)

# Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2017

Six months ended 30 June 2017 HK\$'000 (Unaudited) (Note 2)	Notes	Six months ended 30 June 2017 2016 RMB'000 RMB'000 (Unaudited) (Unaudited)	
<b>Loss attributable to:</b>			
<b>(57,351)</b>	Owners of the Company	<b>(49,840)</b>	(68,866)
<b>(182)</b>	Non-controlling interests	<b>(158)</b>	(72)
<b>(57,533)</b>		<b>(49,998)</b>	(68,938)
<b>Total comprehensive loss attributable to:</b>			
<b>(61,365)</b>	Owners of the Company	<b>(53,328)</b>	(65,419)
<b>(182)</b>	Non-controlling interests	<b>(158)</b>	(72)
<b>(61,547)</b>		<b>(53,486)</b>	(65,491)
<b>Loss per share attributable to owners of the Company (expressed in RMB per share)</b>			
<b>HK\$(0.1322)</b>	Basic loss per share	9	<b>RMB(0.1149)</b> RMB(0.1588)
<b>HK\$(0.1322)</b>	Diluted loss per share	9	<b>RMB(0.1149)</b> RMB(0.1588)

The notes on pages 31 to 56 are an integral part of these condensed consolidated interim financial information.

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

<b>As at 30 June 2017 HK\$'000 (Unaudited)</b> (Note 2)	Notes	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)	
<b>ASSETS AND LIABILITIES</b>				
<b>Non-current assets</b>				
<b>198,950</b>	Property, plant and equipment	10	<b>172,895</b>	180,266
<b>43,140</b>	Intangible assets	10	<b>37,491</b>	33,168
<b>34,558</b>	Goodwill		<b>30,032</b>	30,032
<b>5,594</b>	Software development in progress	10	<b>4,861</b>	7,863
<b>14,065</b>	Interests in associates	11	<b>12,223</b>	10,916
–	Interest in a joint venture		–	17
<b>6,551</b>	Available-for-sale financial assets		<b>5,693</b>	5,710
<b>7,787</b>	Prepayment of an equity investment	12	<b>6,767</b>	–
<b>1,133</b>	Deferred income tax assets		<b>985</b>	1,163
<b>311,778</b>			<b>270,947</b>	269,135
<b>Current assets</b>				
<b>285,950</b>	Trade and other receivables	12	<b>248,501</b>	319,584
–	Available-for-sale financial assets		–	21,150
<b>36,626</b>	Inventories		<b>31,830</b>	25,490
<b>92,565</b>	Cash and cash equivalents	13	<b>80,442</b>	57,259
<b>415,141</b>			<b>360,773</b>	423,483
<b>Current liabilities</b>				
<b>112,515</b>	Trade and other payables	14	<b>97,780</b>	83,852
<b>9,110</b>	Current income tax liabilities		<b>7,917</b>	8,642
<b>83,010</b>	Borrowings	15	<b>72,139</b>	100,563
<b>204,635</b>			<b>177,836</b>	193,057
<b>210,506</b>	<b>Net current assets</b>		<b>182,937</b>	230,426
<b>522,284</b>	<b>Total assets less current liabilities</b>		<b>453,884</b>	499,561

## Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2017

As at 30 June 2017 HK\$'000 (Unaudited) (Note 2)	Notes	As at 30 June 2017 RMB'000 (Unaudited)	As at 31 December 2016 RMB'000 (Audited)
<b>Non-current liabilities</b>			
<b>44,312</b>	15	<b>38,509</b>	26,642
<b>1,470</b>		<b>1,277</b>	1,406
<b>45,782</b>		<b>39,786</b>	28,048
<b>476,502</b>	<b>Net assets</b>	<b>414,098</b>	471,513
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
<b>4,434</b>	16	<b>3,853</b>	3,853
<b>222,460</b>	16	<b>193,326</b>	196,849
<b>250,255</b>		<b>217,481</b>	271,215
<b>477,149</b>		<b>414,660</b>	471,917
<b>(647)</b>	<b>Non-controlling interests</b>	<b>(562)</b>	(404)
<b>476,502</b>	<b>Total equity</b>	<b>414,098</b>	471,513

**Shao Zhong**  
Director

**Mok Chun Ho, Neil**  
Director

The notes on pages 31 to 56 are an integral part of these condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

Notes	Attributable to owners of the Company										
	Share capital	Shares held for Share Award Scheme*	Employee share-based compensation reserve*	Share premium*	Other reserves*	Statutory surplus and general reserves*	Translation reserve*	Retained earnings	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Balance at 1 January 2017</b>	<b>3,853</b>	<b>(5,827)</b>	<b>-</b>	<b>145,302</b>	<b>4,259</b>	<b>49,091</b>	<b>4,024</b>	<b>271,215</b>	<b>471,917</b>	<b>(404)</b>	<b>471,513</b>
<b>Total comprehensive loss for the period</b>											
Loss for the period	-	-	-	-	-	-	-	(49,840)	(49,840)	(158)	(49,998)
Other comprehensive loss for the period											
Currency translation differences	-	-	-	-	-	-	(3,488)	-	(3,488)	-	(3,488)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,488)</b>	<b>(49,840)</b>	<b>(53,328)</b>	<b>(158)</b>	<b>(53,486)</b>
<b>Transactions with owners</b>											
Employees share award scheme	16(c)	-	(35)	-	-	-	-	-	(35)	-	(35)
— Purchased		-	(76)	-	-	-	-	-	(76)	-	(76)
— Dividends reinvested to the scheme		-	41	-	-	-	-	-	41	-	41
Dividends paid	16(b)	-	-	-	-	-	-	(3,894)	(3,894)	-	(3,894)
<b>Total transactions with owners</b>		<b>-</b>	<b>(35)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,894)</b>	<b>(3,929)</b>	<b>-</b>	<b>(3,929)</b>
<b>Balance at 30 June 2017</b>	<b>3,853</b>	<b>(5,862)</b>	<b>-</b>	<b>145,302</b>	<b>4,259</b>	<b>49,091</b>	<b>536</b>	<b>217,481</b>	<b>414,660</b>	<b>(562)</b>	<b>414,098</b>
<b>Balance at 1 January 2016</b>	<b>3,852</b>	<b>(5,925)</b>	<b>120</b>	<b>145,183</b>	<b>4,259</b>	<b>47,387</b>	<b>(1,556)</b>	<b>279,005</b>	<b>472,325</b>	<b>(332)</b>	<b>471,993</b>
<b>Total comprehensive income/(loss) for the period</b>											
Loss for the period	-	-	-	-	-	-	-	(68,866)	(68,866)	(72)	(68,938)
Other comprehensive income for the period											
Currency translation differences	-	-	-	-	-	-	3,447	-	3,447	-	3,447
<b>Total comprehensive income/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,447</b>	<b>(68,866)</b>	<b>(65,419)</b>	<b>(72)</b>	<b>(65,491)</b>
<b>Transactions with owners</b>											
Employees share award scheme	16(c)	-	98	-	-	-	-	-	98	-	98
— Dividends reinvested to the scheme		-	98	-	-	-	-	-	98	-	98
Dividends paid	16(b)	-	-	-	-	-	-	(9,481)	(9,481)	-	(9,481)
<b>Total transactions with owners</b>		<b>-</b>	<b>98</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,481)</b>	<b>(9,383)</b>	<b>-</b>	<b>(9,383)</b>
<b>Balance at 30 June 2016</b>	<b>3,852</b>	<b>(5,827)</b>	<b>120</b>	<b>145,183</b>	<b>4,259</b>	<b>47,387</b>	<b>1,891</b>	<b>200,658</b>	<b>397,523</b>	<b>(404)</b>	<b>397,119</b>

\* These reserves accounts comprise the Group's reserves of RMB193,326,000 in the interim condensed consolidated statement of financial position as at 30 June 2017 (As at 31 December 2016: RMB196,849,000).

The notes on pages 31 to 56 are an integral part of these condensed consolidated interim financial information.

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

Six months ended 30 June 2017 HK\$'000 (Unaudited) (Note 2)	Notes	Six months ended 30 June	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>			
(2,205)	Cash used in operations	(1,916)	(657)
(834)	Income tax paid	(725)	—
<b>(3,039) Net cash used in operating activities</b>		<b>(2,641)</b>	<b>(657)</b>
<b>Cash flows from investing activities</b>			
(14,044)	Purchase of property, plant and equipment	(12,205)	(1,733)
—	— Purchase of intangible assets	—	(95)
(4,975)	Payments for software development in progress	(4,324)	(5,782)
9,157	Proceeds from disposal of property, plant and equipment	7,958	5
(7,787)	Prepayment of an equity investment	(6,767)	—
—	— Increase in pledged bank deposits	—	(20,000)
24,337	Redemption of commercial bank financing products classified as available-for-sale financial assets	21,150	20,000
—	— Purchase of commercial bank financing products	—	(100)
(2,166)	Other investing cash flows — net	(1,883)	637
<b>4,522 Net cash generated from/(used in) investing activities</b>		<b>3,929</b>	<b>(7,068)</b>

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

Six months ended 30 June 2017 HK\$'000 (Unaudited) (Note 2)	Notes	Six months ended 30 June 2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
<b>Cash flows from financing activities</b>			
<b>69,205</b>	Proceeds from borrowings	<b>60,142</b>	9,622
<b>(85,823)</b>	Repayments of borrowings	<b>(74,583)</b>	(25,000)
<b>(87)</b>	Purchase of shares for the share awards scheme	<b>(76)</b>	–
<b>(4,434)</b>	Dividends paid to owners of the Company	<b>(3,853)</b>	(9,383)
<b>49,156</b>	Proceeds received in advance for disposal of partial interest in a subsidiary (without losing control)	<b>42,718</b>	–
<b>(2,823)</b>	Interest paid	<b>(2,453)</b>	(2,851)
<b>25,194</b>	<i>Net cash generated from/(used in) financing activities</i>	<b>21,895</b>	(27,612)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
<b>26,677</b>	Cash and cash equivalents at beginning of the period	<b>23,183</b>	(35,337)
<b>65,888</b>		<b>57,259</b>	61,455
<b>92,565</b>	<b>Cash and cash equivalents at end of the period</b>	<b>80,442</b>	26,118

The notes on pages 31 to 56 are an integral part of these condensed consolidated interim financial information.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 1. GENERAL INFORMATION

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

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

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

As mentioned in the Company’s annual report for the year ended 31 December 2016 and in connection with other previous announcements concerning the proposed spin-off (the “Proposed Spin-off”) of the digital and television businesses of the Group, the Company decided to postpone the application of the Proposed Spin-Off to a later stage.

The interim condensed consolidated statement of financial position as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes of equity and the interim condensed consolidated statement of cash flows for six-month period then ended, and other explanatory notes (collectively defined as the “Interim Financial Information”) of the Group have been approved by the Board on 25 August 2017.

The Interim Financial Information are presented in Renminbi (“RMB”), unless otherwise stated.

This Interim Financial Information have been reviewed, not audited.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 2. BASIS OF PREPARATION

The Interim Financial Information have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the Interim Financial Information for the six months ended 30 June 2017 are consistent with those used in the annual financial statements for the year ended 31 December 2016 except for the adoption of the new and amended International Financial Reporting Standards (“IFRSs”) as disclosed below.

The Interim Financial Information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s audited annual financial statements for the year ended 31 December 2016.

The amounts in the Interim Financial Information are presented in RMB which is the Company and the Group’s presentation currency. The Company’s functional currency is Hong Kong dollars (“HK\$”). The translation into HK\$ of the Interim Financial Information as of, and for the six months ended 30 June 2017 is for convenience only and has been made at the rate of HK\$1.1507 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.

### Going-concern basis

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 2. BASIS OF PREPARATION (Continued)

### New and amended IFRSs adopted by the Group

The Group has applied all the following amendments to IFRSs which are mandatory for the financial year beginning 1 January 2017 and are relevant to the Group.

Amendments to IAS 7	Statement of Cash Flows: Disclosure Initiative
Amendments to IAS 12	Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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

The Group has not applied any new or amended IFRSs that are not yet effective for the current accounting period.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

### 4.1 Financial risk factors

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

The Interim Financial Information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2016.

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 4. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

### 4.2 Liquidity risk

Compared to the liquidity position as at 31 December 2016, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

### 4.3 Fair value estimation

The financial instruments that are measured at fair value require disclosure of fair value measurements by level of the following fair value measurements hierarchy:

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

The carrying amounts of the following financial assets and liabilities of the Group approximate to their respective fair values as at 30 June 2017 and 31 December 2016.

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 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 profits/losses of investments accounted for using equity method and other unallocated head office and corporate expenses.

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

The Group has two (six months ended 30 June 2016: two) reportable segments as described below, which are the Group's strategic business units. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profits/losses 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.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (Continued)

### (a) Revenue

The revenue by segment for the six months ended 30 June 2017 and 2016 from external customers were set out as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Reportable segment		
— Print media and art	<b>126,730</b>	161,186
— Digital media and television	<b>45,110</b>	45,029
	<b>171,840</b>	206,215
Revenue derived from other operations		
— Exhibition, event arrangement and others (i)	<b>3,374</b>	2,538
Less: sales taxes and other surcharges	<b>(4,402)</b>	(5,385)
	<b>170,812</b>	203,368

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

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (Continued)

### (b) Adjusted EBITDA

The adjusted EBITDA of the Group for the six months ended 30 June 2017 and 2016 were set out as follows:

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Print media and art	<b>(42,312)</b>	(57,133)
Digital media and television	<b>4,807</b>	991
	<b>(37,505)</b>	(56,142)
Revenue derived from other operations <i>(Note 5(a))</i>	<b>3,374</b>	2,538
Depreciation	<b>(7,983)</b>	(9,195)
Amortisation	<b>(2,953)</b>	(3,639)
Finance expenses — net	<b>(2,303)</b>	(2,734)
Share of post-tax losses of investments accounted for using equity method	<b>(590)</b>	(370)
Unallocated head office and corporate expenses	<b>(1,989)</b>	(368)
Loss before income tax	<b>(49,949)</b>	(69,910)

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (Continued)

### (b) Adjusted EBITDA (Continued)

Business segment	Six months ended 30 June 2017		
	Depreciation	Amortisation	Finance
	<i>RMB'000</i>	<i>RMB'000</i>	expenses — net
	(Unaudited)	(Unaudited)	<i>RMB'000</i> (Unaudited)
Print media and art	7,853	324	2,303
Digital media and television	130	2,629	—
	<b>7,983</b>	<b>2,953</b>	<b>2,303</b>

Business segment	Six months ended 30 June 2016		
	Depreciation	Amortisation	Finance
	<i>RMB'000</i>	<i>RMB'000</i>	expenses — net
	(Unaudited)	(Unaudited)	<i>RMB'000</i> (Unaudited)
Print media and art	8,464	1,045	2,734
Digital media and television	731	2,594	—
	9,195	3,639	2,734

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (Continued)

### (c) Total assets

<b>Business segment</b>	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Print media and art	<b>333,592</b>	386,929
Digital media and television	<b>106,158</b>	125,447
	<b>439,750</b>	512,376
Corporate and unallocated assets	<b>2,540</b>	2,693
Interests in associates	<b>12,223</b>	10,916
Interest in a joint venture	–	17
Available-for-sale financial assets	<b>5,693</b>	26,860
Prepayments of an equity investment	<b>6,767</b>	–
Deferred income tax assets	<b>985</b>	1,163
Other receivables	<b>83,320</b>	81,334
Cash and cash equivalents	<b>80,442</b>	57,259
<b>Total assets</b>	<b>631,720</b>	692,618



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 5. SEGMENT INFORMATION (Continued)

### (d) Geographic information

The geographic location of the Group's property, plant and equipment, intangible assets, goodwill and interests in associates and a joint venture ("specified non-current assets") were mainly in the PRC, Hong Kong and Taiwan as at 30 June 2017.

## 6. OTHER INCOME

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
PRC government subsidy	<b>157</b>	3,138
Gain on disposal of property, plant and equipment	<b>342</b>	–
Others	<b>253</b>	46
	<b>752</b>	3,184

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 7. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Finance expenses — net</b>		
Finance income:		
Interest income derived from bank deposits	<b>(150)</b>	(117)
Finance expenses:		
Interest expense on bank loans repayable within 5 years	<b>1,928</b>	2,526
Interest expense on bank loans repayable after 5 years	<b>525</b>	325
	<b>2,453</b>	2,851
Finance expenses — net	<b>2,303</b>	2,734
<b>Other items</b>		
Depreciation of property, plant and equipment	<b>8,435</b>	9,440
Amortisation of intangible assets	<b>2,953</b>	3,645
Impairment losses on trade receivables	<b>97</b>	1,190
Office rental costs	<b>8,005</b>	13,395
Net (gain)/loss on disposal of property, plant and equipment	<b>(342)</b>	132
Professional fees for the Proposed Spin-off (Note 1)	<b>1,132</b>	5,148

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 8. INCOME TAX EXPENSE/(CREDIT)

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Deferred tax	<b>49</b>	(972)
Income tax expense/(credit)	<b>49</b>	(972)

Notes:

- (i) The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Company Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.
- (ii) Enterprises incorporated in Hong Kong are subjected to income tax rates of 16.5%. No provision for Hong Kong profits tax for the six months ended 30 June 2017 and 2016 have been made on the subsidiaries in Hong Kong as either the tax losses brought forward from previous years exceeds the estimated assessable profits for the period or the subsidiaries had no estimated assessable profits in Hong Kong.
- (iii) The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25%. No provision has been made for PRC corporate income tax as the Group sustained a loss for taxation purpose.

Pursuant to the relevant laws and regulations in the PRC, Kashi Yazhimei Culture Media Co. Ltd., a wholly owned subsidiary incorporated in Xinjiang, the PRC, is entitled to an income tax exemption period from 1 January 2015 to 31 December 2019.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 9. LOSS PER SHARE

### (a) Basic loss per share

Basic loss per share was computed by dividing the loss attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding during the periods.

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>(Unaudited)</b>	(Unaudited)
Loss attributable to owners of the Company <i>(RMB'000)</i>	<b>(49,840)</b>	(68,866)
Issued ordinary shares as at 1 January (thousands)	<b>438,353</b>	438,282
Weighted average number of shares held for Share Award Scheme <i>(thousands) (Note 16(c))</i>	<b>(4,634)</b>	(4,579)
Weighted average number of ordinary shares in issue <i>(thousands)</i>	<b>433,719</b>	433,703
Basic loss per share <i>(RMB per share)</i>	<b>(0.1149)</b>	(0.1588)

### (b) Diluted loss per share

Diluted loss per share were same as the basic loss per share as there was no dilutive event existed during the six months ended 30 June 2017. For the six months ended 30 June 2016, the computation of diluted loss per share did not assume the exercise of the Company's share awards outstanding in respect of the Linkchic acquisition during the period as their exercise is anti-dilutive.

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 10. PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND SOFTWARE DEVELOPMENT IN PROGRESS

	<b>Property, plant and equipment</b>	<b>Intangible assets</b>	<b>Software development in progress</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Six months ended 30 June 2017</b>			
Net book amount as at 1 January 2017	<b>180,266</b>	<b>33,168</b>	<b>7,863</b>
Additions	<b>12,205</b>	–	<b>4,324</b>
Disposals	<b>(7,616)</b>	–	–
Transfers	–	<b>7,326</b>	<b>(7,326)</b>
Depreciation and amortisation	<b>(8,435)</b>	<b>(2,953)</b>	–
Currency translation differences	<b>(3,525)</b>	<b>(50)</b>	–
<b>Net book amount as at 30 June 2017</b>	<b>172,895</b>	<b>37,491</b>	<b>4,861</b>
<b>Six months ended 30 June 2016</b>			
Net book amount as at 1 January 2016	186,839	25,596	11,971
Additions	1,733	95	5,782
Disposals	(137)	–	–
Transfers	–	3,688	(3,688)
Depreciation and amortisation	(9,440)	(3,645)	–
Currency translation differences	2,469	23	–
<b>Net book amount as at 30 June 2016</b>	<b>181,464</b>	<b>25,757</b>	<b>14,065</b>

- (i) As at 30 June 2017, certain properties with a carrying amount of approximately RMB117,376,000 (As at 31 December 2016: RMB121,523,000) were pledged as collaterals for the Group's bank and other borrowings of RMB110,648,000 (As at 31 December 2016: RMB88,463,000) (Note 15).

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 11. INTERESTS IN ASSOCIATES

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
<b>Investment in associates</b>		
At 1 January	<b>10,027</b>	4,333
Transfer	–	5,480
Share of losses	<b>(573)</b>	(194)
Currency translation differences	<b>(153)</b>	408
At 30 June/31 December	<b>9,301</b>	10,027
<b>Advance to an associate</b>		
	<b>2,922</b>	889
	<b>12,223</b>	10,916

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 12. TRADE AND OTHER RECEIVABLES

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Trade receivables — Due from third parties (a)	<b>166,982</b>	236,766
Less: provision for impairment of receivables	<b>(2,597)</b>	(2,500)
Trade receivables — net	<b>164,385</b>	234,266
Value-added tax recoverable	<b>20,002</b>	19,016
Prepayments	<b>26,232</b>	20,279
Printing deposits	<b>16,921</b>	16,808
Rental, utility and other deposits	<b>9,870</b>	10,780
Advances and loans to employees	<b>10,703</b>	10,583
Amounts due from related parties (b)	<b>2,765</b>	497
Others	<b>4,390</b>	7,355
	<b>255,268</b>	319,584
Less non-current portion: prepayment of an equity investment (c)	<b>(6,767)</b>	—
Current portion	<b>248,501</b>	319,584

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 12. TRADE AND OTHER RECEIVABLES (Continued)

- (a) The aging analysis of trade receivables, before provision for impairment, as at 30 June 2017 and 31 December 2016, based on invoice date, was as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Trade receivables, gross		
— Within 30 days	<b>46,333</b>	96,861
— Over 31 days and within 90 days	<b>48,138</b>	57,222
— Over 91 days and within 180 days	<b>34,932</b>	52,759
— Over 180 days	<b>37,579</b>	29,924
	<b>166,982</b>	236,766

The credit period granted to the Group's 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.

- (b) The amounts due from related parties are unsecured, interest-free and recoverable on demand.
- (c) During the six months ended 30 June 2017, the Group made prepayment of RMB6,767,000 as an investment of 65% effective equity interest in Nowness Holding LLC.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 13. CASH AND CASH EQUIVALENTS

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Cash at bank and in hand	<b>80,442</b>	57,259

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

## 14. TRADE AND OTHER PAYABLES

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Trade payables — Due to third parties (a)	<b>26,384</b>	37,126
Advances from customers	<b>14,277</b>	20,137
Accrued taxes other than income tax	<b>4,463</b>	6,676
Accrued expenses	<b>4,890</b>	6,333
Advertising and promotion expenses payable	<b>1,831</b>	4,858
Salaries, wages, bonus and benefits payable	<b>638</b>	627
Receipt in advance (b)	<b>42,718</b>	—
Other liabilities	<b>2,579</b>	8,095
	<b>97,780</b>	83,852

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 14. TRADE AND OTHER PAYABLES (Continued)

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

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Trade payables		
— Within 30 days	<b>17,816</b>	17,111
— Over 31 days and within 90 days	<b>3,207</b>	11,903
— Over 91 days and within 180 days	<b>1,519</b>	3,907
— Over 180 days	<b>3,842</b>	4,205
	<b>26,384</b>	37,126

(b) As at 30 June 2017, the amount represents the proceeds received in advance from the disposal of partial interest in a subsidiary which was completed on 27 July 2017, details of which are set out in note 19.

## 15. BORROWINGS

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
<b>Current</b>		
— Unsecured bank borrowings (i)	—	38,742
— Secured bank borrowings (ii)	<b>72,139</b>	47,087
— Other secured borrowing (iii)	—	14,734
	<b>72,139</b>	100,563
<b>Non-current</b>		
— Secured bank borrowings (ii)	<b>38,509</b>	26,642
	<b>110,648</b>	127,205

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 15. BORROWINGS (Continued)

- (i) As at 31 December 2016, unsecured bank borrowings comprise RMB11,000,000 guaranteed by Mr. Shao Zhong (“Mr. Shao”), a director and the controlling shareholder of the Group, and Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group; and unsecured bank borrowings of RMB4,000,000 were guaranteed by Mr. Shao, and unsecured banking borrowings of RMB10,305,000 was guaranteed by the Company. The remaining unsecured bank borrowings of RMB13,437,000 were credit loans. The Group settled all the unsecured bank borrowings during the six months ended 30 June 2017.
- (ii) As at 30 June 2017, secured bank borrowings of RMB110,648,000 (As at 31 December 2016: RMB73,729,000) were secured by certain properties of the Group (Note 10) with a carrying amount of RMB31,265,000 and HK\$99,178,000 (As at 31 December 2016: RMB31,655,000 and HK\$100,318,000), among the secured bank borrowings of RMB43,000,000 were guaranteed by Mr. Shao (As at 31 December 2016: RMB4,000,000).
- (iii) As at 31 December 2016, other secured borrowing of RMB14,734,000, borrowed from a developer of a property in Hong Kong, was secured by the certain properties with a carrying amount of RMB89,868,000, equivalent to HK\$100,318,000 (also included as pledged assets for bank borrowings as mentioned in Note 15(ii)) and was also guaranteed by Mr. Shao and Ms. Zhong Yuanhong, a director of a subsidiary of the Group. The Group settled all the other secured borrowing during the six months ended 30 June 2017.
- (iv) As at 30 June 2017, the Group has unused facilities of approximately RMB3,792,000 (As at 31 December 2016: RMB17,271,000).

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 16. SHARE CAPITAL, DIVIDENDS AND RESERVES

### (a) Share capital

Movements in the issued share capital of the Company during the periods were as follows:

	<b>Number of shares (thousands) (Unaudited)</b>	<b>Share capital RMB'000 (Unaudited)</b>
<b>Issued and fully paid ordinary shares of HK\$0.01 each:</b>		
<b>As at 1 January 2017 and 30 June 2017</b>	<b>438,353</b>	<b>3,853</b>
As at 1 January 2016 and 30 June 2016	438,282	3,852

### (b) Dividends

The directors of the Company do not recommend the payment of any dividend by the Company for the six months ended 30 June 2017 and 2016.

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

	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Final dividends in respect of the previous financial year of HK1.00 cent, equivalent to RMB0.89 cents (2015: HK2.50 cents, equivalent to RMB2.16 cents) per ordinary share	<b>3,894</b>	9,481

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 16. SHARE CAPITAL, DIVIDENDS AND RESERVES (Continued)

### (c) Share award scheme

On 3 December 2009, the Board of Directors of the Company (the "Board") approved the Share Award Scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to eligible participants in accordance with the provisions of the Share Award Scheme. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2016.

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

	<b>Six months ended 30 June</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Number of shares held</b>	<b>Value RMB'000</b>	Number of shares held	Value RMB'000
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	(Unaudited)	(Unaudited)
At 1 January	<b>4,579,000</b>	<b>5,827</b>	4,579,000	5,925
Shares purchased during the period	<b>82,000</b>	<b>76</b>	–	–
Dividends reinvested to the scheme	–	<b>(41)</b>	–	(98)
At 30 June	<b>4,661,000</b>	<b>5,862</b>	4,579,000	5,827

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 17. COMMITMENTS

### (a) Capital commitments

As at 30 June 2017, the Group had the following capital commitments:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Capital expenditure contracted but not provided for:		
— investment in joint ventures	<b>10,175</b>	—
— investment in an associate	<b>1,800</b>	1,800

### (b) Operating lease commitments

As at 30 June 2017, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Operating leases expiring:		
— Within 1 year	<b>12,214</b>	21,159
— After 1 year but within 5 years	<b>15,065</b>	18,532
	<b>27,279</b>	39,691

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 17. COMMITMENTS (Continued)

### (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 30 June 2017, the total future minimum payments under non-cancellable licensing agreements for cooperation titles were as follows:

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Licensing agreement expiring:		
— Within 1 year	<b>22,801</b>	22,372
— After 1 year but within 5 years	<b>72,340</b>	75,997
— After 5 years	<b>9,627</b>	7,043
	<b>104,768</b>	105,412

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS

### (a) Related party transactions

Save as disclosed elsewhere in these Interim Financial Information, the Group entered into the following material related party transactions during the six months ended 30 June 2017 and 2016:

	<b>Six months ended 30 June 2017 RMB'000 (Unaudited)</b>	2016 RMB'000 (Unaudited)
Rental expenses (i)	<b>3,891</b>	6,261
Advertising income (ii)	<b>2,127</b>	2,685

# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (a) Related party transactions (Continued)

- (i) This represented rental expenses payable to an entity controlled by a close family member of Dr. Cheng Chi Kong ("Dr. Cheng"), a director of the Company, for the lease of office premises in Shanghai. It was charged at a pre-determined rate mutually agreed, which was based on the market rent rates.
- (ii) This represented advertising income received from entities controlled by a close family member of Dr. Cheng for certain advertisement placements on the Group's media platforms. It was charged at a predetermined rate mutually agreed, which was based on the market rates of the related services rendered.

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

### (b) Receivables from related parties

	<b>As at 30 June 2017 RMB'000 (Unaudited)</b>	As at 31 December 2016 RMB'000 (Audited)
Mr. Shao	<b>2,000</b>	–
Receivable derived from advertising income (i)	<b>765</b>	497

- (i) These represent receivables from entities controlled by a close family member of Dr. Cheng.



# Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2017

## 18. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

### (c) Key management compensation

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Basic salaries, allowances, benefits in kind and Share Award Scheme	<b>10,395</b>	10,660
Retirement scheme contributions	<b>398</b>	386
	<b>10,793</b>	11,046

### (d) Investments held by Mr. Shao on behalf of the Group

As at 30 June 2017 and 31 December 2016, pursuant to the shareholding entrustment agreements entered into between Mr. Shao and the Group in 2015, respectively, Mr. Shao is entrusted as registered shareholder of the investments in certain associates and available-for-sale financial assets on behalf of the Group.

## 19. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in these Interim Financial Information, the following significant events took place subsequent to 30 June 2017:

On 27 July 2017, Modern Digital Holding Limited ("MDHL"), a subsidiary of the Company, has completed the allotment of (i) 428,570 shares to an independent third party, Hong Kong Septwolves Invest-Holding Limited, at the subscription price of RMB43,050,000 and (ii) 1 share to the Company, at a subscription price of RMB36,600,000 (collectively, the "Subscriptions"). The Group retains 70% of the equity interest in MDHL after the partial disposal. Details of the Subscriptions have been set out in the Company's announcements dated 10 March 2017, 22 March 2017 and 4 August 2017.

## 20. CONTINGENT LIABILITIES

As at 30 June 2017, the Group had no material contingent liabilities.