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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

2017 *HK$'000**		**2017** *RMB'000*	2016 *RMB'000*	Variance
523,252	**Revenue**	**435,608**	518,926	-16.1%
(47,793)	**(Loss)/Profit for the year**	**(39,788)**	3,013	N/A
(0.11)	**(Loss)/Earnings per share — Basic** (RMB)**	**(0.09)**	0.01	N/A
784,611	**Total assets**	**653,190**	692,618	-5.7%

The Board does not recommend the payment of final dividend (2016: HK1.00 cent per share) for the year ended 31 December 2017.

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK1.2012 to RMB1.

** The amount is rounded to nearest two decimal places.

The board (the "**Board**") of directors (the "**Directors**") of Modern Media Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2017

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**435,608**	518,926
Cost of sales	*4*	**(253,327)**	(255,828)
Gross profit		**182,281**	263,098
Other income		**6,243**	4,066
Other gains/(losses) — net		**(1,224)**	(1,805)
Distribution expenses	*4*	**(100,440)**	(125,460)
Administrative expenses	*4*	**(119,220)**	(127,701)
Operating (loss)/profit		**(32,360)**	12,198
Finance income		**195**	340
Finance expenses		**(4,311)**	(5,527)
Finance expenses — net	*5*	**(4,116)**	(5,187)
Share of post-tax losses of associates		**(961)**	(194)
Share of post-tax losses of a joint venture		**(17)**	(330)
(Loss)/Profit before income tax		**(37,454)**	6,487
Income tax expense	*6*	**(2,334)**	(3,474)
(Loss)/Profit for the year		**(39,788)**	3,013
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**(9,780)**	5,580
Items that will not be subsequently reclassified to profit or loss			
Revaluation surplus upon transfer from property, plant and equipment to investment properties		**21,953**	–
Tax effect relating to revaluation surplus upon transfer from property, plant and equipment to investment properties		**(5,488)**	–
Other comprehensive income for the year		**6,685**	5,580
Total comprehensive (loss)/income for the year		**(33,103)**	8,593

		Year ended 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
(Loss)/Profit attributable to:			
— Owners of the Company		**(38,264)**	3,085
— Non-controlling interests		**(1,524)**	(72)
		(39,788)	3,013
Total comprehensive (loss)/income attributable to:			
— Owners of the Company		**(31,261)**	8,665
— Non-controlling interests		**(1,842)**	(72)
		(33,103)	8,593
(Loss)/Earnings per share attributable to the owners of the Company for the year (expressed in RMB per share)			
Basic (loss)/earnings per share	*7*	**(RMB0.0883)**	RMB0.0071
Diluted (loss)/earnings per share	*7*	**(RMB0.0883)**	RMB0.0071

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**149,734**	180,266
Investment properties	*10*	**36,590**	–
Intangible assets	*11*	**47,956**	33,168
Goodwill		**32,041**	30,032
Software development in progress		**6,217**	7,863
Interests in associates	*12*	**9,027**	10,916
Interest in a joint venture		**–**	17
Available-for-sale financial assets	*13*	**5,671**	5,710
Deferred income tax assets		**971**	1,163
		288,207	269,135
Current assets			
Trade and other receivables	*14*	**273,410**	319,584
Available-for-sale financial assets	*13*	**–**	21,150
Inventories	*15*	**33,188**	25,490
Cash and cash equivalents		**58,385**	57,259
		364,983	423,483
Current liabilities			
Trade and other payables	*17*	**65,427**	83,852
Current income tax liabilities		**8,126**	8,642
Borrowings	*16*	**96,144**	100,563
		169,697	193,057
Net current assets		**195,286**	230,426
Total assets less current liabilities		**483,493**	499,561
Non-current liabilities			
Borrowings	*16*	**–**	26,642
Deferred income tax liabilities		**6,909**	1,406
		6,909	28,048
Net assets		**476,584**	471,513

		As at 31 December	
		2017	2016
	Note	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,853**	3,853
Reserves		**198,551**	196,849
Retained earnings	*8*	**227,751**	271,215
		430,155	471,917
Non-controlling interests		**46,429**	(404)
Total equity		**476,584**	471,513

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 detailed in Note 20(b), the Group has further expanded its print media and art business through the acquisition of a restaurant during the year ended 31 December 2017.

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.

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 ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and investment properties which are stated at fair value, and certain financial assets and liabilities which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

The preparation of financial statements in conformity with IFRSs 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 amounts in the consolidated financial statements are presented in RMB. The translation into Hong Kong dollars ("HK$") of the consolidated financial statements as of, and for the year ended 31 December 2017 is for convenience only and has been made at the rate of HK$1.2012 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HK$ at this or any other rate.

2.1.1 *Changes in accounting policy and disclosures*

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

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014–2016 cycle	Disclosure of Interests in Other Entities

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented:

Amendments to IAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The application of amendments to IAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances of liabilities arising from financing activities. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year.

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

The following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS28	As part of the Annual Improvements to IFRS 2014–2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective date not yet determined
4 Effective for annual periods beginning on or after 1 January 2021

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas that are expected to be affected:

- the impairment of financial assets applying the expected credit loss model. This will apply to the Group's trade receivables. For trade receivables, the Group applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing components.

- the measurement of equity investments at cost less impairment. All such investments will instead be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition to IFRS 9. This will affect the Group's investment in unlisted equity securities (see Note 13) which the Group intends to hold beyond 1 January 2018. Currently, the Group is not intending to elect to present changes in the equity investment in profit or loss but will account for its equity investments at fair value through other comprehensive income.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as "IFRS 15") presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

Variable consideration
The Group provides a right of return, discounts or rebates for some of the advertising contracts with customers and sale of magazines and periodicals. Currently, the Group recognises revenue from the sale of services and goods measured at fair value of the consideration received or receivable, net of discounts, rebates and returns. 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. Under IFRS 15, a transaction price is considered variable if a customer is provided with a right of return, discounts or rebates. The Group is required to estimate the amount of consideration to which it will be entitled in advertising contracts and the sale of magazines and periodicals and the estimated

amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises its revenue.

IFRS 16 "Leases"

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases of various buildings which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in Note 19(b), as at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB50,681,000 for various buildings, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in IFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt IFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

3. 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, fair value adjustment to investment properties and available-for-sale financial assets, loss on Step Acquisition, gain on disposal of a joint venture 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. Investment properties, investments in associates and a joint venture, available-for-sale financial assets, deferred tax assets, other receivables, cash and cash equivalents and other corporate assets are not considered to be segment assets but rather are managed by the treasury function.

The Group has two (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 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 and revenue from restaurant operation.

- 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.

(a) Revenue

The revenue by segment for the years ended 31 December 2017 and 2016 were set out as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Reportable segment		
— Print media and art	**316,503**	432,993
— Digital media and television	**122,080**	95,168
	438,583	528,161
Revenue derived from other operations		
— Exhibition, event arrangement and others (i)	**8,851**	5,293
Less: sales taxes and other surcharges	**(11,826)**	(14,528)
	435,608	518,926

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

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2017 and 2016 were set out as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Print media and art	**(22,372)**	24,571
Digital media and television	**10,802**	11,596
	(11,570)	36,167
Revenue derived from other operations *(Note 3(a))*	**8,851**	5,293
Depreciation	**(14,592)**	(13,212)
Amortisation	**(9,303)**	(8,802)
Finance expenses — net	**(4,116)**	(5,187)
Loss on Step Acquisition *(Note 20(a))*	**(2,574)**	–
Share of post-tax losses of associates	**(961)**	(194)
Share of post-tax losses of a joint venture	**(17)**	(330)
Gain on disposal of a joint venture	**381**	–
Impairment losses on available-for-sale financial assets	**–**	(1,000)
Fair value adjustment to investment properties	**850**	–
Unallocated head office and corporate expenses	**(4,403)**	(6,248)
(Loss)/Profit before income tax	**(37,454)**	6,487

	Year ended 31 December 2017		
	Depreciation	**Amortisation**	**Finance expenses-net**
	RMB'000	***RMB'000***	***RMB'000***
Business segment			
Print media and art	**14,058**	**172**	**4,142**
Digital media and television	**534**	**9,131**	**(26)**
	14,592	**9,303**	**4,116**

	Year ended 31 December 2016		
	Depreciation	Amortisation	Finance expenses-net
	RMB'000	*RMB'000*	*RMB'000*
Business segment			
Print media and art	11,656	1,373	5,187
Digital media and television	1,556	7,429	–
	13,212	8,802	5,187

(c) Total assets

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Business segment		
Print media and art	**340,416**	386,929
Digital media and television	**125,555**	125,447
	465,971	512,376
Corporate and unallocated assets	**2,452**	2,693
Investment properties	**36,590**	–
Interests in associates	**9,027**	10,916
Interest in a joint venture	**–**	17
Available-for-sale financial assets	**5,671**	26,860
Deferred income tax assets	**971**	1,163
Other receivables	**74,123**	81,334
Cash and cash equivalents	**58,385**	57,259
Total assets	**653,190**	692,618

(d) Geographic information

The geographic location of the Group's property, plant and equipment, investment properties, intangible assets, goodwill, software development in progress, and interests in associates and a joint venture ("**specified non-current assets**") were mainly in the PRC, Hong Kong and the United Kingdom (the "**UK**") as at 31 December 2017 and 2016.

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

Specified non-current assets excluding deferred income tax assets by geographical location as at 31 December 2017 and 2016 were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Hong Kong	**109,919**	120,290
The PRC	**165,465**	141,972
The UK	**6,181**	–
	281,565	262,262

Revenue by geographical location for the year ended 31 December 2017 and 2016 was as follows:

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
The PRC	**395,492**	477,790
Hong Kong	**36,704**	41,136
The UK	**3,412**	–
	435,608	518,926

During the year ended 31 December 2017, there was one customer (2016: two) with whom transactions have exceeded 10% of the Group's revenue. The revenue generated from this customer from print media and art and digital media and television segment amounted to RMB52,056,000 (2016: each of these two single customers from print media and art and digital media and television segment amounted to RMB55,886,000 and RMB55,842,000).

4. EXPENSES BY NATURE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Cost of artworks sold	**773**	–
Employee benefit expenses	**166,679**	200,194
Advertising production expenses	**139,332**	108,047
Printing costs of magazines and periodicals	**23,091**	36,466
Marketing and promotion expenses	**38,999**	45,333
Office rental costs	**22,078**	24,412
License fee	**22,545**	23,463
Office expenses including utility costs	**15,986**	20,510
Travelling and communication expenses	**7,592**	11,902
Depreciation of plant, property and equipment	**14,746**	15,180
Amortisation of intangible assets	**9,303**	8,802
Professional and consultation expenses	**5,389**	5,345
Auditor's remuneration		
— Audit services	**1,318**	980
— Non-audit services	**295**	281
Stamp duties and other taxes	**755**	626
Impairment losses on trade receivables *(Note 14)*	**1,123**	1,023
Professional fees for the Proposed Spin-off *(Note 1)*	**2,319**	5,148
Other expenses	**664**	1,277
Total cost of sales, distribution and administrative expenses	**472,987**	508,989

5. FINANCE EXPENSES — NET

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Finance income:		
— Interest income derived from bank deposits	**195**	340
Finance expenses:		
— Interest expense on borrowings wholly repayable within 5 years	**(3,341)**	(4,167)
— Interest expense on borrowings wholly repayable after 5 years	**(970)**	(1,360)
	(4,311)	(5,527)
Finance expenses — net	**(4,116)**	(5,187)

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current income tax		
— Hong Kong profits tax	**42**	305
— PRC Corporate income tax	**2,292**	2,569
Adjustments in respect of prior years	**(215)**	523
	2,119	3,397
Deferred income tax	**215**	77
Income tax expense	**2,334**	3,474

(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) Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in Hong Kong during the year.

(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 2017, income not subject to tax mainly represented the net profit of RMB11,241,000 (2016: RMB16,838,000) 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 2017, current income tax on profits for the year included a provision of RMB1,529,000 (2016: RMB1,604,000) 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.

7. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

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

	Year ended 31 December	
	2017	2016
(Loss)/Profit attributable to owners of the Company (RMB'000)	**(38,264)**	3,085
Issued ordinary shares as at 1 January (thousands)	**438,353**	438,282
Weighted average number of shares held for the Share Award Scheme (thousands)	**(5,024)**	(4,579)
Weighted average number of shares awarded in respect of Linkchic acquisition (thousands)	**–**	30
Weighted average number of ordinary shares in issue (thousands)	**433,329**	433,733
Basic (loss)/earnings per share (RMB per share)	**(0.0883)**	0.0071

(b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share were same as the basic (loss)/earnings per share as there was no dilutive event existed during year ended 31 December 2017 and 2016.

8. DIVIDENDS

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Final dividends proposed after the end of the financial year of nil (2016: HK1.00 cent (equivalent to RMB0.89 cents)) per ordinary share	**–**	3,894

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

	Year ended 31 December	
	2017	2016
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year of HK1.00 cent, equivalent to RMB0.89 cents per share (2016: HK2.50 cents, equivalent to RMB2.09 cents per share)	**3,894**	9,171

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2017, the Group acquired items of fixed assets in aggregate of RMB14,512,000, which primarily consisted of leasehold improvements, office equipment, furniture and fixtures amounted to RMB13,100,000, RMB884,000 and RMB528,000 respectively and has transferred buildings held for own use with net carrying amount of RMB13,787,000 to investment properties upon change of use.

10. INVESTMENT PROPERTIES

	2017	2016
	RMB'000	*RMB'000*
Non-current asset — at fair value		
Opening balance at 1 January	**–**	–
Transfer from property, plant and equipment	**35,740**	–
Change in fair value of investment properties recognised in profit or loss	**850**	–
Closing balance at 31 December	**36,590**	–

11. INTANGIBLE ASSETS

For the year ended 31 December 2017, additions to intangible assets amounted to RMB24,461,000, which mainly comprised of transfer from software development in progress and acquisition cost of trademark, domain and IT platforms.

12. INTERESTS IN ASSOCIATES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Investment in associates		
At 1 January	**10,027**	4,333
Transfer	**–**	5,480
Share of post-tax losses	**(961)**	(194)
Currency translation differences	**(268)**	408
Step Acquisition of a subsidiary *(Note 20)*	**(2,574)**	–
At 31 December	**6,224**	10,027
Advance to an associate	**2,803**	889
	9,027	10,916

Advance to an associate included in investments in associates is unsecured, interest free and is not recoverable within twelve months from the end of the reporting period and are therefore shown in the consolidated statement of financial position as non-current.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**10,671**	10,710
Less: provision for impairment	**(5,000)**	(5,000)
Unlisted equity investments — net	**5,671**	5,710
Commercial bank financing products, at fair value (a)	**–**	21,150
	5,671	26,860

(a) As at 31 December 2016, the Group purchased commercial bank financing products of RMB21,150,000. 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 2016, the carrying amount of this investment approximated the fair value. The Group redeemed all the commercial bank financing products during the year ended 31 December 2017.

14. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables (a)		
— Due from third parties	**202,910**	236,766
Less: provision for impairment of receivables (e)	**(3,623)**	(2,500)
Trade receivables — net	**199,287**	234,266
Value-added tax recoverable	**16,341**	19,016
Prepayments	**19,141**	20,279
Printing deposits	**14,611**	16,808
Rental, utility and other deposits	**8,426**	10,780
Advances and loans to employees (c)	**9,950**	10,583
Amounts due from related parties (c)	**416**	497
Others	**5,238**	7,355
	273,410	319,584

As at 31 December 2017 and 2016, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade receivables, gross		
— Within 30 days	**55,887**	96,861
— Over 31 days and within 90 days	**71,038**	57,222
— Over 90 days and within 180 days	**37,147**	52,759
— Over 180 days	**38,838**	29,924
	202,910	236,766

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.

(b) As at 31 December 2017, trade receivables of RMB92,289,000 (2016: RMB94,802,000) 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 aging analysis of these trade receivables past due but not impaired at respective reporting dates was as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Within 30 days past due	**25,470**	31,973
Over 31 days and within 90 days past due	**27,556**	30,310
Over 90 days past due	**39,263**	32,519
	92,289	94,802

(c) The amounts due from related parties and advance and loans to employees are unsecured, interest-free and repayable on demand.

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

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
RMB	**252,150**	297,567
HKD	**18,954**	19,431
USD	**1,466**	544
Others	**840**	2,042
	273,410	319,584

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

	2017	2016
	RMB'000	*RMB'000*
At 1 January	**2,500**	1,477
Provision for impairment *(Note 4)*	**1,123**	1,023
At 31 December	**3,623**	2,500

Provision for impairment of RMB3,623,000 (2016: RMB2,500,000) 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 2017 and 2016.

15. INVENTORIES

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Artworks	**32,809**	25,425
Other goods	**379**	65
	33,188	25,490

16. BORROWINGS

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Current		
— Unsecured bank borrowings (a)	**–**	38,742
— Secured bank borrowings (b)	**96,144**	47,087
— Other secured borrowing (c)	**–**	14,734
	96,144	100,563
Non-current		
— Secured bank borrowings (b)	**–**	26,642
	96,144	127,205

(a) As at 31 December 2016, unsecured bank borrowings of RMB11,000,000 were guaranteed by Mr. Shao Zhong ("Mr. Shao") 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 bank 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 year ended 31 December 2017.

(b) As at 31 December 2017, secured bank borrowings of RMB96,144,000 (2016: RMB73,729,000) were secured by certain properties of the Group in PRC with carrying amount of RMB53,788,000 (2016: RMB31,655,000) and certain properties of the Group in Hong Kong with carrying amount of HK$98,038,000, equivalent to RMB81,614,000 (2016: HK$100,318,000, equivalent to RMB89,868,000), among which RMB33,000,000 (2016: RMB4,000,000) were guaranteed by Mr. Shao.

(c) 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 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 16(b)) and was also guaranteed by Mr. Shao and Ms. Zhong Yuanhong. The Group settled all the other secured borrowing during the year ended 31 December 2017.

17. 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	
	2017	2016
	RMB'000	*RMB'000*
Trade payables:		
— Due to third parties	**29,321**	37,126
Other payables:		
— Advances from customers	**16,452**	20,137
— Accrued taxes other than income tax (i)	**6,984**	6,676
— Accrued expenses	**4,812**	6,333
— Advertising and promotion expenses payable	**2,692**	4,858
— Salaries, wages, bonus and benefits payable	**838**	627
— Other liabilities	**4,328**	8,095
	65,427	83,852

(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 2017 and 2016, all trade and other payables of the Group were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities.

(b) An aging analysis of trade payables of the Group, based on invoice dates, was as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Trade payables		
— Within 30 days	**14,747**	17,111
— Over 31 days and within 90 days	**7,105**	11,903
— Over 91 days and within 180 days	**2,488**	3,907
— Over 180 days	**4,981**	4,205
	29,321	37,126

18. CONTINGENCIES

Save as disclosed in Note 21, the Group had no material contingent liabilities as at 31 December 2017 and 2016.

19. COMMITMENTS

(a) Capital commitments

As at 31 December, the Group had the following capital commitments:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for:		
— investment in an associate	**–**	1,800

(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	
	2017	2016
	RMB'000	*RMB'000*
Operating leases expiring:		
— Within 1 year	**22,759**	21,159
— After 1 year but within 5 years	**27,922**	18,532
	50,681	39,691

(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 2017, the total future minimum payments under non-cancellable licensing agreements were as follows:

	As at 31 December	
	2017	2016
	RMB'000	*RMB'000*
Licensing agreement expiring:		
— Within 1 year	**22,706**	22,372
— After 1 year but within 5 years	**62,478**	75,997
— After 5 years	**5,119**	7,043
	90,303	105,412

20. BUSINESS COMBINATIONS

(a) Step acquisition of a subsidiary

Pursuant to a sale and purchase agreement entered into between the Group and the other shareholders of Beijing Camart Technology Co., Ltd ("**Beijing Camart**") on 7 December 2017, the Group acquired the remaining 80% issued share capital of Beijing Camart at nil consideration (the "**Step Acquisition**"). Beijing Camart is incorporated in the PRC with limited liability and is engaged in online auction of artworks. As a result, the Group's interest in Beijing Camart increased from 20% to 100% and Beijing Camart became an indirect wholly-owned subsidiary of the Company.

The Step Acquisition was completed on 7 December 2017. The Group continued to share the results of Beijing Camart under the equity method of accounting during the period from 1 January 2017 to the completion date.

The Group accordingly remeasure the fair value of its pre-existing 20% equity interest in Beijing Camart at the completion date and recognised the resulting loss of RMB2,574,000 in the consolidated statement of comprehensive income under "other gains or losses — net".

There was no significant amounts of fair value of identifiable assets acquired and liabilities assumed from the Step Acquisition.

The management estimates that the Step Acquisition would not have significant impact to the Group's revenue and results if the Step Acquisition had occurred on 1 January 2017.

(b) Acquisition of a subsidiary

On 22 September 2017, the Group acquired the entire issued share capital of Shanghai Houyuan Cafe Co., Ltd. ("**Shanghai Cafe**") from independent third parties at a consideration of RMB2,550,000 (the "**Acquisition**"). Shanghai Cafe is incorporated in the PRC with limited liability and is engaged in operation of restaurant.

The Acquisition was completed on 30 September 2017 and Shanghai Cafe became an indirect wholly-owned subsidiary of the Company.

The cash flow and the fair value of net assets/liabilities acquired are provided below:

	RMB'000
Trade and other receivables	101
Inventories	444
Cash and cash equivalents	31
Trade and other payables	(35)
Net assets acquired	541
Goodwill	2,009
Total cash consideration	2,550
Cash and cash equivalents acquired	(31)
Cash outflow on acquisition	2,519

Included in the loss for the year is the loss of RMB110,000 attributable to the additional business generated by Shanghai Cafe. Revenue for the year includes RMB908,000 in respect of Shanghai Cafe.

If the acquisition had occurred on 1 January 2017, the Group's revenue would have been increased by RMB2,367,000 and loss for the year would have been decreased by RMB106,000 for the year ended 31 December 2017. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

21. DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY

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 ("**Septwolves Invest**"), 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.

The Subscriptions were accounted for as an equity transaction, whereby adjustments were made to reflect an increase in non-controlling interests of approximately RMB48,675,000 and a decrease in other reserve of approximately RMB5,625,000 at the date of issue of the new shares in MDHL.

Pursuant to the investment agreement, the Group undertakes to Septwolves Invest that the expected revenue after tax of MDHL and its subsidiaries for each of the years ending 31 December 2017, 2018 and 2019 shall be not less than HK$140 million, HK$162 million, and HK$186 million, respectively ("**Revenue Guarantee**"). Septwolves Invest has the option (the "**Put Option**") to require the Group to acquire all the MDHL shares then held by them, on or before 30 April 2020, if MDHL fails to achieve the Revenue Guarantee. The purchase price shall be equivalent to (a) the aggregate of the total investment amount of Septwolves Invest and (b) a compensation amount to be agreed between the parties. No provision has been made by the Group with respect to the Put Option as at 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

During 2017, although the growth of the PRC's Gross Domestic Products ("**GDP**")had achieved 6.9% which was slightly higher than originally forecasted, Chinese economy still faced challenges on multiple aspects: declining external demand, overcapacity in individual sectors, and rapidly growing debt level. Along with the ongoing structural transition in the PRC, there were growing doubts on its financial stability and increased uncertainties of economic risks. Despite the luxury goods consumption has slightly rebounded in 2017, the brand advertisers still remained cautious and conservative, and continued to tighten 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 actively seeking ways to develop digital media business and explore other business opportunities 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 16.1% to RMB435.6 million in 2017 as compared with 2016 (2016: RMB518.9 million), the decline was mainly due to the substantial decrease in advertising revenue contributed by our print media as a result of the downturn experienced by the print industry. The Group reported a net loss of approximately RMB39.8 million in current year as compared to a net profit of RMB3.0 million in 2016. Management had continuously implemented a series of cost control measures throughout 2017, and the advertising revenue of our digital media business started to pick up in the second half of the year, the Group managed to make a profit of RMB10.2 million in the latter half of 2017 as compared to the substantial loss in the first half of the year. In addition, the Group has proactively promoted the transformation of our business during the past year, and has endeavoured in and developed new businesses such as the development of "Nowness" video platform and the launch of the cultural and creative space in Shanghai, etc., which takes time before gain can be materialised. Management believes that, with the development of our new business areas and by optimizing the current business portfolio, there will likely be overall improvements in the financial results in 2018.

In May 2017, 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 the InStyle magazine; moreover, a digital mobile application ("**App**") 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.

Furthermore, an entity formed by the Group and two independent third parties entered into as 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". In 2017, print media remained as the major income contributor of advertising revenue while digital media was outperformed in terms of revenue generation. As at 31 December 2017, the segment results are as follows:

	Print Media & Art	**Digital Media & Television**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
2017			
Reported segment revenue	**316,503**	**122,080**	**438,583**
Reportable segment profit/(loss)	**(37,077)**	**3,176**	**(33,901)**
Segment EBITDA	**(22,372)**	**10,802**	**(11,570)**
2016			
Reported segment revenue	432,993	95,168	528,161
Reportable segment profit	6,355	2,611	8,966
Segment EBITDA	24,571	11,596	36,167

On the segment results, the segment revenue for the print media in 2017 suffered an 26.9% decrease when compared with 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 segment recorded a significant increase in segment revenue by 28.3%. The Group had leveraging on the economics of scale by operating a number of well-established Apps in 2017. The management of the Group has confidence that the digital media will continue its profitable trend afterwards.

(A) BUSINESS REVIEW

(i) Print Media and Art

The overall print media market followed the downward trend as in the past few years. According to the Advertising Expenditure Report 2017 issued by CTR China, the total advertising revenue of printed magazine category in 2017 decreased by 18.9% as compared with that of last year.

The Group commenced in year 2017 with six weekly/bi-weekly and seven monthly/bi-monthly magazines in both the PRC and Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health, etc.

In 2017, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB296.5 million (2016: RMB403.8 million), which recorded a decrease of approximately 26.6% as compared to 2016, which was in line with the downward trend in magazine advertising market.

Although the PRC advertising market of magazine category was extremely challenging, our Group still made an effort to achieve a fair performance in 2017. The revenue of our flagship magazine, "Modern Weekly" had suffered a decrease when facing the industrial depression in the overall print media market. However, it has still been ranked no. 2 in terms of revenue in weekly magazine market according to the research report issued by Admango and continuously maintained the irreplaceable position by most of the print media brand advertisers while many other print competitors were still struggling in the matter of survival.

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. In addition, "INSTYLE 優家畫報" had successfully organized a number of events such as "Icon Award" during the year, which had increased its market recognitions amongst brand advertisers. As a result, "INSTYLE 優家畫報" recorded an increase in advertising revenue of 16.5% from May to December after rebranding as compared to the same period last year, and it is expected to organize more events and live shows in 2018. 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 elite after running a series of events in several cities, the number of members of "You Jia Hui" (優家薈) had kept increasing during the year and the club membership fees had created additional income stream to the Group.

Our flagship business magazine, "Bloomberg Businessweek/China" (Simplified Chinese edition) also recorded a decline in the advertising performance along with the downward trend in print media industry. 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. Moreover, "Bloomberg Businessweek/China" (Traditional Chinese edition) had organized several finance marketing events and forums in Hong Kong 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 2017 was even slightly improved compared to that of 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 "IDEAT" recorded rising advertising revenue as compared to 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 2018 and onwards.

During the reporting period, the art business had contributed revenue of RMB15.1 million (2016: RMB14.0 million), which included the advertising revenue from our art magazines — "LEAP" and "the Art Newspaper", as well as the event income derived from art-related events organized by the Group and income from sales of certain pieces of artwork. In 2017, the Group had renovated some of the office space to become art galleries in order to promote artwork trading business. The Group plans to renovate more spaces in the coming year to refine our Modern Art Base which contains art galleries, art kitchen, bookshop and art studio so as to promote our art business. It is our management's belief that the art business will bring in additional profit in the coming future.

(ii) Digital Media & Television

By comparing to the stagnant advertising environment in print media sector, the overall market sentiment of the digital sector was comparatively optimistic. According to the Advertising Expenditure Report 2017 issued by CTR China, the advertising market of internet category achieved a year-on-year increase of 12.4% in 2017. The total revenue contributed by the Group's digital media recorded an increase by 28.3% in 2017 when compared with that of last year, which outperformed the market growth.

For the year 2017, the number of "iWeekly" downloads on both smartphone and tablet PC reached approximately 14.6 million together, an increase by 4.3% from the year ended 2016. "iWeekly" continuously upgraded its content by incorporating the selected contents from some famous international media brands, which enriched its globalized contents and further enlarged the readers' base and increase their adherence. It continued to be recognized as one of the most successful Chinese media Apps on the Apple's and Android's platforms. Moreover, the advertising revenue of "iWeekly" in 2017 was increased by 35.8% when compared with that of last year. It was because many of the branded advertising clients were eager to utilize their marketing budgets in digital Apps in 2017. "iWeekly" often undergo a content revamp and add more user-friendly functions, such as the daily news broadcast which target to increase the readers' adherence and to develop reader loyalty to the app.

"INSTYLE iLady", which was upgraded from our "iLady 365" App along with the rebranding of "Modern Lady Weekly", continued to be a comprehensive informative platform for elite women, has already accumulated more than 7.0 million users as at the end of 2017 as compared to approximately 5.4 million users of the previous “iLady 365” as at the end of 2016, which represented a 29.6% 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. We believe that “INSTYLE iLady” is a strategic move for the Group to ride on the recent trend of e-Commerce outbreak and will also become another income generator in the coming future.

“Bloomberg Businessweek 商業周刊中文版” has successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 8.7 million together, which was 11.5% higher than that of last year. “Bloomberg Businessweek 商業周刊中文版” was recommended to be one of the Best Apps for the year 2017 in AppStore. The iPhone version was ranked no. 2 in Newsstand Top Grossing List in AppStore and, “Bloomberg Businessweek 商業周刊中文版” has also got the Top 2 ranking for a long period of time since 2015. Furthermore, along with the high quality content of the app and increased recognition amongst business elites, the subscription income of “Bloomberg Businessweek 商業周刊中文版” received via the App and WeChat had surged to RMB5.0 million in 2017 from RMB1.6 million last year; management expected the subscribed reader base would be continuously enlarged in the coming future, which eventually led to improved advertising performance. In the future, the Group will also explore new business opportunities in areas such as online courses for business English by cooperating with well-known education institutions.

With the acquisition of “Nowness” brand and media in 2017, the Group had hired a team of professionals to operate Nowness video platform in China since the second half of 2017, its creative and quality content had attracted increasing number of subscribers to follow the subscription account via WeChat, and had quickly developed a client portfolio with high-end brand advertisers. The advertising revenue derived from “Nowness” had reached RMB10.9 million in 2017 and it is expected the “Nowness” brand will contribute additional income in the coming year with the launch of “Nowness” app in the first quarter of 2018.

Given the expansion plan in progress, the Group’s digital media business had maintained a profit situation in the current year. The Group management is confident that the continuous growth in downloads of our App products will make us a leading digital platform, and will further generate considerable revenues 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 the customized production for its brand advertisers. TV media had achieved production revenue of RMB5.3 million in 2017 (2016: RMB8.8 million). Our TV team is looking for new opportunities to enlarge its client portfolio and endeavors for better performance in the coming future.

(B) BUSINESS OUTLOOK

The Group will continue to extend its business strategy towards the “4-M” direction, i.e. “Modern Publishing”, “Modern Digital”, “Modern Expo” and the new “Modern Space” incepted during the year.

“Modern Publishing” includes our printed magazines portfolio, which is still the leading printed media in the PRC market for the domestic and foreign brand advertisers of luxury goods and lifestyle products. The Group expects that the reduction in advertisements for printed magazines by luxury brands has gradually bottomed out, and the advertising volume of the Group’s printed magazines began to rebound in the first quarter of 2018. As always, the Group also constantly reviews its magazines portfolio and identifies different partners to operate its printed magazines and other extended businesses. For example, the Group entered into an agreement with Xiamen Feibo Group to jointly operate a monthly magazine named “Life (生活)” and to develop various extended businesses under the brand of “National Spirit Achiever”.

“Modern Digital” continues to be the driving force of our business growth. In mid-2017, the Group 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 viewers and raising the number of downloads in Greater China and South East Asia. In addition, the Group is going to launch the “Nowness” App in the first quarter of 2018, the management expects that the huge traffic to the website and the App will inevitably stimulate a significant growth in brand advertising. Moreover, the Group will utilize the brand of “Nowness” to develop a series of extended businesses, including opening brand experience stores, launching brand-related products, introducing theme restaurants, organizing camera and video-related courses and so on, in order to explore other income sources. The Group will also study the addition of a website function for immediate online purchase after preview, and will progressively develop assisted purchase on e-commerce. The Group expects the “Modern Digital” segment to deliver a satisfactory performance in 2018.

“Modern Expo” will become the new driving force of the Group by utilizing our existing ample resources in marketing experts and connection with models, celebrities and artists. Taking “Photo Shanghai” as an example, the Group together with Montgomery, an international leading art exhibition organizer, have been organising very successful photo exhibitions in Shanghai for three consecutive years since 2014. Such exhibitions have aroused extensive attentions and were endorsed by both visitors and commercial sponsors. With the successful case of “Photo Shanghai”, the Group will establish a joint venture with VNU Exhibitions Asia in 2018, and will plan and organize a series of profitable trade fairs with different themes such as art, LOHAS, creativity, culture, business and design. In this year, our first collaboration with VNU Exhibitions Asia is a financial investment-related exhibition jointly organized with “Bloomberg Businessweek/China (Simplified Chinese edition)”.

In addition, “Modern Space” is a real estate project involving cultural and creative spaces actively deployed by the Group. Our first project is located in Shanghai and divided into three phases of development; the first phase witnessed the opening of the cultural and creative spaces in December 2017, which was transformed from old factories. The Group will continue to transform the park and intends to introduce The Swedish Museum of Photography during the second and third phase which will be built as a one-stop fashionable landmark featuring photo exhibition, catering, retail, courses and more. We will also consider the construction of boutique hotels in the park. The cultural and creative spaces will become the source of the Group’s future profit growth. In the future, this type of cultural and creative spaces will be extended to different cities in the PRC and the next stop will be first-tier cities such as Beijing and Guangzhou.

Looking forward, the management believes that the further development of the “4-M” direction together with stringent cost control measures would help the Group materialize a turnaround from loss in the foreseeable future.

(C) FINAL DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any final dividend (2016: HK1.0 cent per share).

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on 30 May 2018. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 25 May 2018 to 30 May 2018 both days inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong branch share registrars in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on 24 May 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow from operating activities of RMB4.5 million (2016: RMB22.2 million). The decrease in operating cashflow was largely attributable to the decline in advertising revenue received. On the other hand, the Group’s cash outflow from investing activities amounted to RMB10.9 million (2016: RMB14.2 million) which was mainly attributable to the expenditure on leasehold improvements for new offices and cultural and creative space and the payment for software development in progress. The cash inflow of the Group from financing activities amounted to RMB7.5 million (2016: cash outflow of RMB12.3 million) which was mainly owing to the proceeds from partial disposal of equity interest in a subsidiary of RMB43.1 million.

Borrowings and gearing

As at 31 December 2017, the Group's outstanding borrowings were approximately RMB96.1 million (2016: RMB127.2 million). The total borrowings comprised secured bank borrowings of approximately RMB96.1 million (2016: secured bank borrowings of RMB73.7 million, unsecured bank borrowings of RMB38.7 million and other secured borrowings of RMB14.7 million). The gearing ratio as at 31 December 2017 was 14.7% (31 December 2016: 18.4%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

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

	At 31 December 2017	At 31 December 2016
	RMB'000	*RMB'000*
On demand or within 1 year	**96,144**	100,563
Between 1 and 2 years	**–**	2,242
Between 2 and 5 years	**–**	6,710
Over 5 years	**–**	17,690
	96,144	127,205

CAPTIAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the year included purchase of property, plant and equipment, purchase of intangible assets and payments for software development in progress of approximately RMB37.3 million (2016: RMB14.4 million).

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 and the Revenue Guarantee provided to Septwolves Invest as disclosed in Note 21, as at 31 December 2017, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2017, the Group's bank loan of RMB33.0 million was secured by the Group's office properties in Beijing, which was guaranteed by Mr. Shao, the controlling shareholder of the Group; the Group's bank loan of RMB63.1 million was secured by the office apartment in Hong Kong.

As at 31 December 2017, the Group's printing credit line in an amount of approximately RMB7.0 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 2017.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2017, the Group had a total of 651 staff (2016: 703 staff), total staff costs (including Directors' remuneration) were approximately RMB166.7 million (2016: RMB200.2 million). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee. The reduction in head counts was due to the rationalization of human resource structure in order to 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**"). 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"). During the year ended 31 December 2017, the Company contributed RMB1.1 million to the Plan and there were surplus funds in the Plan to acquire shares of the Company. During the year ended 31 December 2017, 100,000 Shares were awarded and vested to one selected employee under the Share Award Plan, as approved by the Board of Directors of the Company (2016: Nil).

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2017 have been reviewed by the audit committee of the Board (the "**Audit Committee**").

Scope of work of Grant Thornton Hong Kong Limited

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

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 Listing Rules during the Period with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Company is of the view that it is in the best interest of the Company to let Mr. Shao Zhong, the founder of the Group, act in the dual capacity as the chairman and chief executive officer of the Group given Mr. Shao's in-depth expertise and knowledge in business and the Group, which can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by 4 independent non-executive directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

PUBLICATION

The annual results announcement of the Company for the Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Group (www.modernmedia.com.cn) respectively. The 2017 annual 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.

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

Hong Kong, 23 March 2018

As at the date of this announcement, the Board comprises the following members: (a) as executive directors, Mr. SHAO Zhong, Mr. MOK Chun Ho, Neil, Ms. YANG Ying, Mr. LI Jian and Mr. DEROCHE Alain; (b) as independent non-executive directors, Mr. JIANG Nanchun, Mr. WANG Shi, Mr. AU-YEUNG Kwong Wah and Dr. GAO Hao.