現代傳播 Modern Media

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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2018 *HK$'000** (Unaudited)	**Six months ended 30 June 2018** *RMB'000* (Unaudited)	**Six months ended 30 June 2017** *RMB'000* (Unaudited)
Revenue	230,399	194,331	170,812
Loss for the period	(38,869)	(32,785)	(49,998)
Loss per share — basic	HK$(0.0861)	RMB(0.0726)	RMB(0.1149)

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.1856 to RMB1.

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2018.

The board ("Board") of directors ("Directors") of Modern Media Holdings Limited (the "Company") announces the unaudited interim consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Interim Period") together with comparative figures for the corresponding period in 2017. The interim results have been reviewed by the Company's audit committee and the Company's auditor, Grant Thornton Hong Kong Limited.

Interim condensed consolidated statement of profit or loss and other comprehensive income
For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017*
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**194,331**	170,812
Cost of sales		**(115,910)**	(109,402)
Gross profit		**78,421**	61,410
Other income	*6*	**2,357**	410
Other gains — net	*7*	**150**	342
Distribution expenses		**(53,255)**	(52,424)
Administrative expenses		**(54,479)**	(56,794)
Operating loss		**(26,806)**	(47,056)
Finance income	*7*	**90**	150
Finance expenses	*7*	**(1,861)**	(2,453)
Finance expenses — net		**(1,771)**	(2,303)
Share of post-tax losses of associates		**(4,163)**	(573)
Share of post-tax losses of a joint venture		**–**	(17)
Loss before income tax	*7*	**(32,740)**	(49,949)
Income tax expense	*8*	**(45)**	(49)
Loss for the period		**(32,785)**	(49,998)
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**4,069**	(3,488)
Total comprehensive loss for the period		**(28,716)**	(53,486)

* *See Note 2.2 for details regarding the restatement as a result of a change in accounting policy.*

	Notes	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017* *RMB'000* (Unaudited)
Loss attributable to:			
Owners of the Company		**(31,405)**	(49,840)
Non-controlling interests		**(1,380)**	(158)
		(32,785)	(49,998)
Total comprehensive loss attributable to:			
Owners of the Company		**(27,453)**	(53,328)
Non-controlling interests		**(1,263)**	(158)
		(28,716)	(53,486)
Loss per share attributable to owners of the Company (expressed in RMB per share)			
Basic loss per share	*9*	**RMB(0.0726)**	RMB(0.1149)
Diluted loss per share	*9*	**RMB(0.0726)**	RMB(0.1149)

* *See Note 2.2 for details regarding the restatement as a result of a change in accounting policy.*

Interim condensed consolidated statement of financial position
As at 30 June 2018

	Notes	As at 30 June 2018 RMB'000 (Unaudited)	As at 31 December 2017* RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**146,739**	149,734
Investment properties	*10*	**36,740**	36,590
Intangible assets	*10*	**48,598**	47,956
Goodwill		**32,041**	32,041
Software development in progress	*10*	**3,961**	6,217
Interests in associates	*11*	**5,191**	9,027
Interest in a joint venture		**500**	–
Available-for-sale financial assets		**–**	5,671
Financial assets at fair value through other comprehensive income		**4,928**	–
Prepayment for acquisition of property, plant and equipment and intangible assets	*12*	**27,830**	–
Deferred income tax assets		**1,057**	971
		307,585	288,207
Current assets			
Trade and other receivables	*12*	**257,023**	273,410
Inventories		**39,566**	33,188
Cash and cash equivalents	*13*	**19,839**	58,385
		316,428	364,983
Current liabilities			
Trade and other payables	*15*	**73,011**	65,427
Current income tax liabilities		**7,487**	8,126
Borrowings	*16*	**92,715**	96,144
		173,213	169,697
Net current assets		**143,215**	195,286
Total assets less current liabilities		**450,800**	483,493

* *See Note 2.2 for details regarding the restatement as a result of a change in accounting policy.*

	Notes	**As at 30 June 2018** *RMB'000* **(Unaudited)**	As at 31 December 2017* *RMB'000* (Audited)
Non-current liabilities			
Deferred income tax liabilities		**7,040**	6,909
Net assets		**443,760**	476,584
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**3,853**	3,853
Reserves	*14*	**201,753**	198,551
Retained earnings		**193,131**	227,751
		398,737	430,155
Non-controlling interests		**45,023**	46,429
Total equity		**443,760**	476,584

* *See Note 2.2 for details regarding the restatement as a result of a change in accounting policy.*

Notes to the condensed consolidated interim financial information

For the six months ended 30 June 2018

1. GENERAL INFORMATION

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 Group is 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 and restaurant operation.

As mentioned in the Company's annual report for the year ended 31 December 2017 and in connection with other previous announcements concerning the proposed spin-off (the "Proposed Spin-off") of the digital business 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 2018 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 28 August 2018.

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

This Interim Financial Information have been reviewed, not audited.

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 2018 are consistent with those used in the annual financial statements for the year ended 31 December 2017 except for the adoption of the new and amended International Financial Reporting Standards ("IFRSs") as disclosed in Note 2.2 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 2017.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the Interim Financial Information in RMB, unless otherwise stated. The translation into HK$ of the Interim Financial Information as of, and for the six months ended 30 June 2018 is for convenience only and has been made at the rate of HK$1.1856 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HK$ at this or any other rate.

2.1 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 and expected new bank 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 the Interim Financial Information.

2.2 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 on or after 1 January 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRSs	Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

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.

(a) Impact on the financial information

IFRS 9 was adopted by the Group without restating comparative information in accordance with the transitional provisions. As a result of the changes in the Group's accounting policies, the reclassifications and adjustments are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening interim condensed consolidated statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in details below.

Interim condensed consolidated statement of financial position (extract)	31 December 2017 As originally presented *RMB'000*	Impact of initial application of IFRS 9 *RMB'000*	1 January 2018 Restated *RMB'000*
Non-current assets			
Available-for-sale financial assets	5,671	(5,671)	–
Financial assets at fair value through other comprehensive income	–	4,921	4,921
Current assets			
Trade and other receivables	273,410	(3,358)	270,052
Equity			
Fair value reserve (non-recycling)	–	(750)	(750)
Retained earnings	227,751	(3,215)	224,536
Non-controlling interests	46,429	(143)	46,286

(b) *IFRS 9 "Financial Instruments" — Impact of adoption*

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. The new accounting policies are set out in Note 2.2(c) below.

The impact of transition to IFRS 9 on the Group's equity as at 1 January 2018 is as follows:

Equity	Effect on fair value reserve (non-recycling) *RMB'000*	Effect on retained earnings *RMB'000*	Effect on non-controlling interests *RMB'000*
At 31 December 2017 — IAS 39 (audited)	–	227,751	46,429
Remeasurement of non-trading unlisted equity investments from cost less impairment to fair value	(750)	–	–
Additional provision for impairment of trade receivables recognised	–	(3,215)	(143)
Opening balance as at 1 January 2018 — IFRS 9 (unaudited)	(750)	224,536	46,286

Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income

The Group had several equity investments which were classified as available-for-sale stated at cost less impairment under previous accounting standard IAS 39. With the adoption of IFRS 9, these investments do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Therefore, these equity investments are classified as financial assets measured at fair value and the Group elected to present any changes in the fair value in other comprehensive income because the investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result of the adoption of IFRS 9, these equity investments have been fair valued as at 1 January 2018. The difference between the fair value and the carrying amount of the investment as at 1 January 2018 was recorded to opening equity.

Other than that, there were no changes to the classification and measurement of financial instruments.

Summary of effects resulting from adoption of IFRS 9 is as follows:

Financial assets	**Available-for-sale financial assets** *RMB'000*	**Financial assets at fair value through other comprehensive income** *RMB'000*
At 31 December 2017 — IAS 39 (audited)	5,671	–
Reclassification of non-trading unlisted equity investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(5,671)	5,671
Remeasurement of non-trading unlisted equity investments from cost less impairment to fair value	–	(750)
Opening balance as at 1 January 2018 –IFRS 9 (unaudited)	–	4,921

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses under IAS 39. The Group's trade and other receivables which are measured at amortised cost are subject to IFRS 9's new expected credit loss model.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss provision for all trade receivables. The provision for impairment of trade receivables as at 31 December 2017 reconcile to the opening provision for impairment of trade receivables on 1 January 2018 as follows:

	Provision for impairment of trade receivables *RMB'000*
At 31 December 2017 — IAS 39 (audited)	3,623
Additional provision recognised through opening retained earnings	3,358
Opening balance as at 1 January 2018 — IFRS 9 (unaudited)	6,981

While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(c) IFRS 9 "Financial Instruments" — Key changes in accounting policies

The following describes the Group's updated financial instruments policy applied from 1 January 2018 to reflect the adoption of IFRS 9:

Classification of financial assets

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement of financial assets

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are recognised in profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income as "other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment of financial assets

The Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortised cost and financial assets at fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix. The Group allows 1.2% for amounts that are current or not yet past due, 1.5% for amounts that are within 1 year past due, 2.6% for amounts that are between 1 and 2 years past due, 10.1% for amounts that are between 2 to 3 years past due and writes off fully any amounts that are more than 3 years past due.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(d) IFRS 15 "Revenue from Contracts with Customers" — Impact of adoption

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. The new accounting policies are set out in Note 2.2(e) below.

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. Previously, 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 assessed that there was no significant difference between the revenue recognised under old and new revenue standard at date of initial application, therefore no adjustment was recorded to opening equity.

(e) IFRS 15 "Revenue from Contracts with Customers" — Key changes in accounting policies

The following describes the Group's updated revenue recognition policy applied from 1 January 2018 to reflect the adoption of IFRS 15:

Revenue arises mainly from adverting contracts, sale of magazines and periodicals, TV production, events and services, sales of artworks and goods and restaurant operation.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as "advance from customers" under trade and other payables in the interim condensed consolidated statement of financial position.

Advertising income

Revenue from advertising contracts, net of rebates, sales taxes and related surcharges, are recognised at a point in time upon the publication of the magazines and periodicals, and mobile applications, available to public in which the advertisement is placed.

Circulation and subscription income

Circulation and subscription income, net of estimated returns, represents sale of magazines and periodicals, which is recognised at a point in time when the publication is delivered to the customers at which the control of the magazines and periodicals is transferred.

TV production, event and service income

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

Sales of artworks and goods

Sales of artworks and goods in retail stores are recognised when the control of the artworks and goods is passed to the customers.

Revenue from restaurant operation

Revenue from restaurant operation is recognised at the point of sales to customers.

Interest income

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

Dividend income

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017, with the exception of the below changes:

Provision for impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables on a forward looking basis and the expected lifetime losses are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month expected credit losses. In making the judgment, management considers available reasonable and supportive forwarding-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management. Please refer to Note 12 for detailed information of impairment for trade and other receivables.

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 does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2017.

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

4.2 Liquidity risk

Compared to the liquidity position as at 31 December 2017, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

4.3 Fair value measurement of financial instruments

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2018 and 31 December 2017 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 *RMB'000*	**Level 2** *RMB'000*	**Level 3** *RMB'000*	**Total** *RMB'000*
As at 30 June 2018				
Financial assets at fair value through other comprehensive income				
— Equity investments	**–**	**–**	**4,928**	**4,928**
As at 31 December 2017				
Financial assets at fair value through other comprehensive income				
— Equity investments	–	–	–	–

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The fair values of financial assets at fair value through other comprehensive income are determined using adjusted net asset method.

The reconciliation of the carrying amounts of the Group's financial instruments classified within level 3 of the fair value hierarchy is as follows:

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Equity investments		
At 1 January	**–**	–
Initial application of IFRS 9 *(Note 2.2)*	**4,921**	–
Currency translation differences	**7**	–
At 30 June/31 December	**4,928**	–

There have been no transfers into or out of level 3 during the six months ended 30 June 2018 (Six months ended 30 June 2017 (unaudited): Nil).

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, fair value adjustment to investment properties, available-for-sale financial assets and financial assets at fair value through other comprehensive income 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/financial assets at fair value through other comprehensive income, deferred income 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 (Six months ended 30 June 2017 (unaudited): 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 and revenue from restaurant operation.

- Digital media (previously known as 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 six months ended 30 June 2018 and 2017 from external customers were set out as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment		
— Print media and art	**135,152**	126,730
— Digital media	**61,795**	45,110
	196,947	171,840
Revenue derived from other operations		
— Exhibition, event arrangement and others (i)	**2,421**	3,374
Less: sales taxes and other surcharges	**(5,037)**	(4,402)
	194,331	170,812

(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 six months ended 30 June 2018 and 2017 were set out as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Print media and art	**(20,303)**	(42,312)
Digital media	**5,487**	4,807
	(14,816)	(37,505)
Revenue derived from other operations *(Note 5(a))*	**2,421**	3,374
Depreciation	**(6,364)**	(7,983)
Amortisation	**(6,120)**	(2,953)
Finance expenses — net	**(1,771)**	(2,303)
Share of post-tax losses of associates	**(4,163)**	(573)
Share of post-tax losses of a joint venture	**–**	(17)
Fair value adjustment to investment properties	**150**	–
Unallocated head office and corporate expenses	**(2,077)**	(1,989)
Loss before income tax	**(32,740)**	(49,949)

	Six months ended 30 June 2018		
Business segment	**Depreciation**	**Amortisation**	**Finance expenses — net**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Print media and art	**6,079**	**117**	**1,784**
Digital media	**285**	**6,003**	**(13)**
	6,364	**6,120**	**1,771**

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

(c) **Total assets**

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Business segment		
Print media and art	**324,774**	340,416
Digital media	**117,430**	125,555
	442,204	465,971
Corporate and unallocated assets	**2,330**	2,452
Investment properties	**36,740**	36,590
Interests in associates	**5,191**	9,027
Interest in a joint venture	**500**	–
Available-for-sale financial assets	**–**	5,671
Financial assets at fair value through other comprehensive income	**4,928**	–
Deferred income tax assets	**1,057**	971
Other receivables	**111,224**	74,123
Cash and cash equivalents	**19,839**	58,385
Total assets	**624,013**	653,190

(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 30 June 2018 and 31 December 2017.

6. OTHER INCOME

	Six months ended 30 June **2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
PRC government subsidy (i)	**1,893**	157
Others	**464**	253
	2,357	410

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

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance income:		
— Interest income derived from bank deposits	**(90)**	(150)
Finance expenses:		
— Interest expense on borrowings wholly repayable within 5 years	**1,449**	1,928
— Interest expense on borrowings wholly repayable after 5 years	**412**	525
	1,861	2,453
Finance expenses — net	**1,771**	2,303
Other items		
Depreciation of property, plant and equipment	**6,471**	8,435
Amortisation of intangible assets	**6,120**	2,953
Impairment losses on trade receivables	**25**	97
Office rental costs	**9,429**	8,005
Professional fees for the Proposed Spin-off *(Note 1)*	**–**	1,132
Net gain on disposal of property, plant and equipment	**–**	(342)
Fair value adjustment to investment properties	**(150)**	–

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Deferred tax	**45**	49
Income tax expense	**45**	49

Notes:

(a) 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.

(b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. Hong Kong profits tax has not been provided for the six months ended 30 June 2018 and 2017 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.

(c) The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25% (Six months ended 30 June 2017 (unaudited): 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.

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.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company (RMB'000)	**(31,405)**	(49,840)
Issued ordinary shares as at 1 January (thousands)	**438,353**	438,353
Weighted average number of shares held for Share Award Scheme (thousands) *(Note 14(c))*	**(5,697)**	(4,634)
Weighted average number of ordinary shares in issue (thousands)	**432,656**	433,719
Basic loss per share (RMB per share)	**(0.0726)**	(0.1149)

(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 six months ended 30 June 2018 and 2017.

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

	Property, plant and equipment	**Investment properties**	**Intangible assets**	**Software development in progress**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Six months ended 30 June 2018				
Net book amount as at 1 January 2018	**149,734**	**36,590**	**47,956**	**6,217**
Additions	**2,223**	**–**	**–**	**4,390**
Disposals	**(5)**	**–**	**–**	**–**
Transfers	**–**	**–**	**6,646**	**(6,646)**
Depreciation and amortisation	**(6,471)**	**–**	**(6,120)**	**–**
Fair value change (ii)	**–**	**150**	**–**	**–**
Currency translation differences	**1,258**	**–**	**116**	**–**
Net book amount as at 30 June 2018	**146,739**	**36,740**	**48,598**	**3,961**

	Property, plant and equipment *RMB'000* (Unaudited)	Investment properties *RMB'000* (Unaudited)	Intangible assets *RMB'000* (Unaudited)	Software development in progress *RMB'000* (Unaudited)
Six months ended 30 June 2017				
Net book amount as at 1 January 2017	180,266	–	33,168	7,863
Additions	12,205	–	–	4,324
Disposals	(7,616)	–	–	–
Transfers	–	–	7,326	(7,326)
Depreciation and amortisation	(8,435)	–	(2,953)	–
Currency translation differences	(3,525)	–	(50)	–
Net book amount as at 30 June 2017	172,895	–	37,491	4,861

(i) As at 30 June 2018, certain properties in the PRC and Hong Kong included in property, plant and equipment with carrying amounts of approximately RMB98,697,000 (As at 31 December 2017 (audited): RMB98,812,000) and the Group's investment properties in the PRC of RMB36,740,000 (As at 31 December 2017 (audited): RMB36,590,000) were pledged as collaterals for the Group's bank borrowings, amounted to RMB92,715,000 (As at 31 December 2017 (audited): RMB96,144,000) (Note 16).

(ii) The Group's investment properties were revalued at 30 June 2018 by independent professionally qualified valuer, DTZ Debenham Tie Leung Shenzhen Valuation Company Limited ("DTZ") using the same valuation techniques as were used by this valuer when carrying out the 31 December 2017 valuation.

11. INTERESTS IN ASSOCIATES

	As at 30 June 2018 ***RMB'000*** **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Investment in associates		
At 1 January	**6,224**	10,027
Share of post-tax losses	**(208)**	(961)
Impairment loss	**(3,955)**	–
Currency translation differences	**47**	(268)
Step acquisition of a subsidiary	**–**	(2,574)
At 30 June/31 December	**2,108**	6,224
Advance to an associate	**3,083**	2,803
	5,191	9,027

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade receivables (a)		
— Due from third parties	**180,635**	202,910
Less: provision for impairment of trade receivables (d)	**(7,006)**	(3,623)
Trade receivables — net	**173,629**	199,287
Value-added tax recoverable	**17,377**	16,341
Prepayments	**52,540**	19,141
Printing deposits	**14,721**	14,611
Rental, utility and other deposits	**8,659**	8,426
Advances and loans to employees (b)	**12,888**	9,950
Amounts due from related parties (b)	**–**	416
Others	**5,039**	5,238
	284,853	273,410
Less non-current portion:		
Prepayment for acquisition of property, plant and equipment (c)	**(26,000)**	–
Prepayment for purchase of intangible assets	**(1,830)**	–
	(27,830)	–
Current portion	**257,023**	273,410

(a) The aging analysis of trade receivables, based on invoice dates, before provision for impairment as at 30 June 2018 and 31 December 2017 was as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade receivables, gross		
— Within 30 days	**48,159**	55,887
— Over 30 days and within 90 days	**53,608**	71,038
— Over 90 days and within 180 days	**45,048**	37,147
— Over 180 days	**33,820**	38,838
	180,635	202,910

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

(c) The amount represented the Group's prepayment of RMB26,000,000 for the acquisition of a property in the PRC. Details of which have been disclosed in the Group's announcement dated 4 May 2018. The acquisition was completed in July 2018 (Note 20(i)).

(d) The Group applies simplified approach to provide expected credit losses prescribed in IFRS 9 as disclosed in Note 2.2. Movements in provision for impairment of trade receivables were as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
At 1 January	**3,623**	2,500
Initial application of IFRS 9	**3,358**	–
Adjusted balance	**6,981**	2,500
Provision for impairment *(Note 7)*	**25**	1,123
At 30 June/31 December	**7,006**	3,623

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Cash at bank and in hand	**19,839**	58,385

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. SHARE CAPITAL, DIVIDENDS AND RESERVES

(a) Share capital

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

Ordinary shares, issued and fully paid:

	Number of shares ***(thousands)*** **(Unaudited)**	**Share capital** ***RMB'000*** **(Unaudited)**
As at 1 January 2018 and 30 June 2018	**438,353**	**3,853**
As at 1 January 2017 and 30 June 2017	438,353	3,853

(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 2018 and 2017.

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividends in respect of the previous financial year of nil (2017: HK1.00 cent (equivalent to RMB0.89 cents)) per ordinary share	**–**	3,894

(c) Share award scheme

On 3 December 2009, 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 2017.

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

	Six months ended 30 June			
	2018		2017	
	Number of shares held	**Value**	Number of shares held	Value
		RMB'000		*RMB'000*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
At 1 January	**5,697,000**	**6,809**	4,579,000	5,827
Shares purchased during the period	**–**	**–**	82,000	76
Dividends reinvested to the scheme	**–**	**–**	–	(41)
At 30 June	**5,697,000**	**6,809**	4,661,000	5,862

15. TRADE AND OTHER PAYABLES

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

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade payables:		
— Due to third parties (a)	**35,553**	29,321
Other payables:		
— Advances from customers	**18,087**	16,452
— Accrued taxes other than income tax	**5,836**	6,984
— Accrued expenses	**4,451**	4,812
— Advertising and promotion expenses payable	**2,092**	2,692
— Salaries, wages, bonus and benefits payable	**867**	838
— Other liabilities	**6,125**	4,328
	73,011	65,427

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

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Trade payables		
— Within 30 days	**17,100**	14,747
— Over 30 days and within 90 days	**5,410**	7,105
— Over 90 days and within 180 days	**6,963**	2,488
— Over 180 days	**6,080**	4,981
	35,553	29,321

16. BORROWINGS

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Current		
— Secured bank borrowings (i)	**92,715**	96,144

(i) As at 30 June 2018, secured bank borrowings of RMB92,715,000 (As at 31 December 2017 (audited): RMB96,144,000) were secured by certain properties of the Group in the PRC with carrying amounts of RMB53,706,000 (As at 31 December 2017 (audited): RMB53,788,000) and certain properties in Hong Kong with carrying amount of HK$96,898,000, equivalent to RMB81,731,000 (As at 31 December 2017 (audited): HK$98,038,000, equivalent to RMB81,614,000) (Note 10), among which RMB30,000,000 (As at 31 December 2017 (audited): RMB33,000,000) were guaranteed by Mr. Shao Zhong ("Mr. Shao"), a Director and the controlling shareholder of the Group.

(ii) As at 30 June 2018, the Group has unused facilities of approximately RMB1,687,000 (As at 31 December 2017 (audited): RMB1,665,000).

17. COMMITMENTS

(a) Operating lease commitments

As at 30 June 2018, the future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Operating leases expiring:		
— Within 1 year	**21,917**	22,759
— After 1 year but within 5 years	**22,009**	27,922
	43,926	50,681

As at 30 June 2018, the future aggregate minimum lease receipts under non-cancellable operating leases were as follows:

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Operating leases expiring:		
— Within 1 year	**1,861**	–
— After 1 year but within 5 years	**9,216**	–
— After five years	**2,819**	–
	13,896	–

(b) Capital commitments

As at 30 June 2018, the Group had the following capital commitments:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Contracted but not provided for:		
— Intangible assets	**1,169**	–

(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 2018, the total future minimum payments under non-cancellable licensing agreements for cooperation titles were as follows:

	As at 30 June 2018 *RMB'000* **(Unaudited)**	As at 31 December 2017 *RMB'000* (Audited)
Licensing agreement expiring:		
— Within 1 year	**23,373**	22,706
— After 1 year but within 5 years	**55,567**	62,478
— After 5 years	**3,619**	5,119
	82,559	90,303

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

Saved 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 2018 and 2017:

	Six months ended 30 June	
	2018 *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited)
Rental expenses (i)	**–**	3,891
Advertising income (ii)	**–**	2,127

(i) This represented rental expenses payable to an entity controlled by a close family member of Dr. Cheng Chi Kong ("Dr. Cheng"), a former Director of the Company (resigned on 26 August 2017), for the lease of office premises in Shanghai, the PRC. 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.

(b) Receivables from related parties included in trade and other receivables

	As at 30 June 2018 *RMB'000* (Unaudited)	As at 31 December 2017 *RMB'000* (Audited)
Mr. Shao	–	416

(c) Key management compensation

	Six months ended 30 June 2018 *RMB'000* (Unaudited)	2017 *RMB'000* (Unaudited)
Basic salaries, allowances, benefits in kind and Share Award Scheme	**6,251**	10,395
Retirement scheme contributions	**304**	398
	6,555	10,793

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

As at 30 June 2018 and 31 December 2017, pursuant to the shareholding entrustment agreements entered into between Mr. Shao and the Group in 2015, Mr. Shao is entrusted as registered shareholder of certain investments in subsidiaries and financial assets at fair value through other comprehensive income on behalf of the Group.

19. CONTINGENT LIABILITIES

On 27 July 2017, Modern Digital Holding Limited ("MDHL"), a subsidiary of the Group, has completed the allotment of 428,570 shares to an independent third party, Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), at the subscription price of RMB43,050,000.

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 (the "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 the aggregate of (a) 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 30 June 2018 and 31 December 2017.

20. EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in these Interim Financial Information, the following significant events took place subsequent to 30 June 2018:

(i) The Group has completed the acquisition of a property in Beijing, the PRC, at a consideration of RMB26,000,000 in July 2018 (Note 12(c)).

(ii) In July 2018, upon the capital injection of RMB10,000,000 in Shanghai Xinxuefen Culture Media Co., Ltd. ("Shanghai Xinxuefen"), a subsidiary of the Group, by a non-controlling equity holder, the Group's effective interest in Shanghai Xinxuefen was diluted from 100% to 65%. Any deemed gain or loss on disposal of partial interest in the subsidiary will be charged to other reserves.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

In the first half of 2018, the rise in Sino-US trade tensions have led to concerns over China's exports and domestic consumptions, via direct or indirect effects on consumer goods, services, business sentiment and investments. The extent of impact on the PRC's economy is still uncertain and business demand is likely to be adversely affected. Meanwhile, the improvement of technology and the growing trend of digitalization, together with the shift of readers' preference for digital media over print media, had caused a significant impact in the traditional print media industry, which was also unfavorable to our business. However, the management is confident that there is improvement in business sentiment and we are also actively seeking ways to diversify our business and explore other business opportunities in order to maintain our market competitiveness.

Even under the tough operating environment as mentioned above, the Group still managed to achieve an increase in revenue of approximately 13.8% to RMB194.3 million in the first half of 2018 as compared with the corresponding period in 2017 (2017: RMB170.8 million), which was mainly due to the substantial increase in digital advertising revenue. During the six months ended 30 June 2018 (the "Interim Period"), the Group reported a loss attributable to owners of the Company of approximately RMB31.4 million (2017: RMB49.8 million) which represented a significant improvement in the financial performance with a loss being narrowed down by 37.0%.

The Group has continued to implement a series of cost control measures throughout the Interim Period, which also helped to improve our financial performance. The management will continue to review and maintain an optimal magazine portfolio, meanwhile looking for opportunities in new business areas in order to turnaround the loss-making situation in the future.

Since 2015, the Group had strategically restructured its business into two business segments, namely "print media and art" and "digital media". During the Interim Period, "print media and art" remained as the major income contributor of the Group's revenue. The segment results for the Interim Period are as follows:

	Print Media and Art	**Digital Media***	**Total**
	RMB'000	*RMB'000*	*RMB'000*
2018			
Reported segment revenue	**135,152**	**61,795**	**196,947**
Reportable segment loss	**(28,283)**	**(788)**	**(29,071)**
Segment EBITDA	**(20,303)**	**5,487**	**(14,816)**
2017			
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)

* Previously known as "digital media and television".

With regards to the segment results, the segment revenue for the "print media and art" in first half of 2018 recorded a slight rise of 6.6% when compared with that of 2017, which mainly due to the increase in advertising revenue of the rebranded magazine "INSTYLE優家畫報". The segment loss improved correspondingly along with the sales increment. On the other hand, "digital media" recorded a significant increase in segment revenue of 37.0%, which resulted from the rise of advertising and production income contributed by the Apps such as inStyle iLady and the video production team under Nowness. The "digital media" recorded a segment loss which mainly attributed to the increased administrative expenses as a result of the growth of Nowness. The Group had leveraging on the economics of scale by operating a number of well-established Apps in 2018. The management of the Group is confident that digital media will become the main income stream and profit centre of the Group in the future.

(A) BUSINESS REVIEW

Print Media and Art

The Group commenced the year 2018 with five weekly/bi-weekly and six 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 7.8% in the first half of 2018 as compared to the same period last year.

**Remarks:* Advertising information from this paragraph is extracted from Advertising Expenditure Report of First Half of 2018 produced by CTR.

During the Interim Period, the Group's portfolio of magazine titles contributed the advertising revenue of approximately RMB131.2 million (2017: RMB127.4 million), recorded a slight increase of approximately 3.0% as compared to the corresponding period in 2017, which outperformed the average performance in the 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 satisfactory performance in the Interim Period. Our flagship magazine, "Modern Weekly", had reach its new milestone of 1000th edition in February 2018 and had managed to achieve the slight increase in advertising income of 2.1% during the Interim Period as compared to the corresponding period in 2017. Meanwhile, it still ranked No.1 in terms of revenue in weekly magazine market according to the market research conducted by Admango and continued to maintain its irreplaceable position among 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 houses and art galleries, which created an extra revenue of RMB3.2 million during the Interim Period.

The revenue of another flagship magazine of the Group, "INSTYLE優家畫報", has experienced a surge of approximately 23.2% in the first half of 2018 despite the downward trend of macro environment in magazine market. By cooperating with Time Inc., with the rebranding of the magazine in 2017, "INSTYLE優家畫報" had experienced upgrades in terms of contents, design and layout etc., which makes it more attractive to brand advertisers. As a result, it recorded an increase in advertising revenue comparing with the same period last year. The reader's club of "INSTYLE優家畫報", "You Jia Hui (優家薈)", is becoming more and more attractive to those female elites after running a series of events in several cities in the PRC, the number of members of "You Jia Hui (優家薈)" had kept increasing during the Interim Period and the club membership fees had created an additional income to the Group.

"Bloomberg Businessweek/China" (Simplified Chinese edition), our flagship business magazine, ranked No. 5 in terms of the advertising revenue in all categories by comparing with 40 other business and financial magazines, according to the market research conducted by Admango. It had gained a wide range of recognition amongst business elites and attracted an increasing number of high-end brands to place advertising orders. 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 of the magazine among readers and financial institutions. As such, the advertising performance of this magazine in the first half of 2018 rose by approximately 20.2% as compared to the same period in 2017, 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 "Life" and "IDEAT" recorded rising advertising revenue as compared to the same period of last year, whilst some other monthly titles experienced revenue declines, following the general downward trend of the print media market. 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 Interim Period, art related revenue had contributed approximately RMB4.7 million to our Group's income, which derived from the advertising revenue and event income from our art-related magazines — LEAP and the Art Newspaper, and the operating income generated from our cultural space — Modern Art Base.

Digital Media

As at the end of Interim Period, the "iWeekly" users on smartphone and tablet had reached 14.7 million, representing a growth of 2.1% comparing to the end of the same period of last year. "iWeekly" continuously upgraded its contents by incorporating selected contents from some famous international media brands, which enriched its globalized contents and further enlarged the readers' base and increased their adherence. It continued to be recognized as one of the most successful Chinese media applications on Apple's and Android's platforms. "iWeekly" was also incorporated with a daily news radio broadcast function, the improvement in function capability is also expected to enhance the user frequency and develop reader's loyalty to the App.

"Bloomberg Businessweek 商業周刊中文版" has also broadened its user base on smartphone and tablet by reaching 9.5 million users accumulatively, representing a growth of 15.9% comparing to the end of the same period of last year. Moreover, "Bloomberg Businessweek 商業周刊中文版" iPhone version had maintained No.1 position in Newsstand Top Crossing List in the 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. Furthermore, along with the high quality contents of the App and its 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 reach RMB3.3 million in the first half of 2018. The management expects the subscribed reader base would be continuously enlarging in the coming future, which will eventually lead to improved advertising performance.

"INSTYLE iLady", which was upgraded along with the rebranding of "INSTYLE優家畫報", continued to be a comprehensive informative platform for elite women, and had already attracted more than 7.1 million users as at the end of Interim Period as compared to approximately 6.0 million users as at the end of the same period of 2017, which represented a 18.3% growth. By offering the "Ready-to-Buy" digital media experience to users, "INSTYLE iLady" was well-accepted by both the users and brand advertisers. Moreover, the "fashion", "beauty" and "life" channels within the App are able to provide comprehensive solutions for targeted customers on behalf of brand clients. As the App could effectively bring traffic to advertisers' shopping platforms or their official websites, "INSTYLE iLady" has been becoming more popular amongst the brand advertisers and is becoming one of the main revenue streams of our digital business. During the Interim Period, it had experienced a surge in advertising revenue of approximately 125.9% as compared to the first half of 2017.

With the acquisition of "Nowness" last year, the Group had hired a team of professionals to operate Nowness video platform in China, its creative and quality contents had attracted an increasing number of subscribers to follow the subscription account via WeChat, and had quickly developed a client portfolio of high-end brand advertisers. In April 2018, the "Nowness" App was successfully launched in App Store and had recorded 0.8 million downloads as at the end of the Interim Period. The advertising revenue derived from "Nowness" had reached RMB10.2 million in the first half of 2018 and it is expected to bring rising income in the coming future.

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

(B) BUSINESS OUTLOOK

The Group will extend its business strategy towards the "4-M" direction, i.e. "Modern Publishing", "Modern Digital", "Modern Expo" and "Modern Space".

"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 half of the year. 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" 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 the middle of last year, 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 expanding and raising the number of downloads in Greater China and South East Asia. In addition, the Group launched the "Nowness" App in the first half of the year, 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 derivative 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 maintain its satisfactory performance in the second half of the year.

"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 organizing very successful photo exhibitions in Shanghai for three consecutive years since 2014. Such exhibitions have aroused extensive attention and were endorsed by both visitors and commercial sponsors. With the successful case of "Photo Shanghai", the Group has established a joint venture with VNU Exhibitions Asia and will gradually organize a series of profitable trade fairs with different themes such as art, LOHAS, creativity, culture, business and design.

"Modern Space" is a project involving cultural and creative spaces actively deployed by the Group. Our first project is located in Shanghai and is divided into three phases of development. The first phase witnessed the opening of the cultural and creative spaces in last December, which were transformed from old factories. The Group will continue to transform the cultural and creative spaces and is currently negotiating with a renowned museum of decorative arts and design from the UK in relation to the possibility of cooperation and introducing it during the second and third phase which will be extended to become a one-stop fashionable landmark featuring photo exhibition, catering, retail, courses and more. We will also consider the construction of boutique hotels in the cultural and creative spaces. 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 the other first-tier cities such as Beijing and Guangzhou.

In June 2018, the Company and an international renowned photography museum operator entered into a non-binding letter of intent to explore the possibility of forming joint ventures in Hong Kong and China, which are expected to engage in the development of exhibition space, and organising and managing the operation of photography exhibitions in various cities in the PRC.

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.

DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any interim dividend (2017: Nil). The Directors will consider the final dividend after evaluating the full-year financial performance of 2018.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

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 inflow from operating activities of RMB2.7 million (2017: net cash outflow of RMB2.6 million). The improvement in cash flow from operating activities was largely due to the increase in sales proceeds received as a result of rise in revenue. The Group recorded a net cash outflow in investing activities of RMB35.1 million (2017: net cash inflow of RMB3.9 million) for the Interim Period, which mainly comprised of the prepayment on purchase of office property in Beijing, the PRC of RMB26.0 million, payment for software development in progress of RMB4.4 million and payment for leasehold improvements of RMB2.2 million.

Borrowings and gearing

As at 30 June 2018, the Group's outstanding borrowings were approximately RMB92.7 million (31 December 2017: RMB96.1 million). The total borrowings comprised secured bank borrowings of approximately RMB92.7 million (31 December 2017: RMB96.1 million). The gearing ratio as at 30 June 2018 was 14.9% (31 December 2017: 14.7%), which was calculated based on the total debts divided by total assets at the end of the period/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:

	As at 30 June 2018 *RMB'000*	As at 31 December 2017 *RMB'000*
On demand or within 1 year	**92,715**	96,144

Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on purchase of property, plant and equipment, payments for software development in progress, investment in a joint venture and prepayments for acquisition of property, plant and equipment and intangible assets of approximately RMB34.9 million (corresponding period of 2017: purchase of property, plant and equipment, payments for software development in progress and prepayment of an equity investment of approximately RMB23.3 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 19 to the condensed consolidated interim financial information, as at 30 June 2018, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 30 June 2018, the Group's bank loans of RMB30.0 million were secured by the Group's office properties in Beijing and guaranteed by Mr. Shao, the controlling shareholder of the Group. The Group's bank loans of RMB62.7 million were secured by the office apartment in Hong Kong.

As at 30 June 2018, the Group's printing credit line in an amount of approximately RMB4.8 million was secured by corporate guarantee given by the Company.

FOREIGN EXCHANGE RISKS

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

EMPLOYEES

As at 30 June 2018, the Group had a total of 640 staff (as at 31 December 2017: 651 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.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the Awards made up to 30 June 2018 are set out in Note 14(c) of condensed consolidated interim financial information.

SHARE OPTIONS

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

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") during the Interim 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.

AUDIT COMMITTEE

As at the date of this interim results announcement, the Audit Committee comprises four independent non-executive Directors. The Audit Committee members possess appropriate professional qualifications and experience in financial matters.

The Audit Committee has reviewed the unaudited interim financial report for the six months period ended 30 June 2018 with no disagreement with the accounting treatments adopted by the Company.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (as set out in Appendix 10 of the Listing Rules) (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.

PUBLICATION

The interim results announcement of the Company for the Interim Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Group (www.modernmedia.com.cn) respectively. The 2018 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.

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

Hong Kong, 28 August 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.