MODERN MEDIA
HOLDINGS LIMITED ANNUAL REPORT 2018

現代傳播控股有限公司 2018年 年報

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現代傳播
Modern Media

CONTENTS

ABOUT MODERN MEDIA

A LEADING, HIGH–PROFILE MEDIA GROUP IN CHINA.
MODERN MEDIA'S MISSION: GLOBAL TRENDS SPREADER, CHINESE ELITES CULTIVATOR.
MODERN MEDIA'S PHILOSOPHY: GLOBAL VISION, MODERN CHINA.
MODERN MEDIA'S VISION: A CHINA–BASED INTERNATIONAL MEDIA GROUP WITH GLOBAL VISION.
MODERN MEDIA'S DNA: INTERNALIZATION, STYLE, REFINED TASTE AND SOCIAL RESPONSIBILITY.
MODERN MEDIA REPRESENTS THE QUALITY AND CREATIVITY.

The idea and mission of Modern Media is "Global Vision, Modern China." We contributes our own strength to pursuit Modern China. We always strive for the goals of modernization and internationalization. Modernity is also what we advocate and strive to disseminate. The core competitiveness of Modern Media is "ideological, artistic, innovative and professional." Internalization, style, refined taste and social responsibility are our DNAs. Attitudes, beliefs, innovation and dreams are our core values. Awareness decides action. Thus, the most important thing for the staff of Modern Media is to have basic awareness in four aspects. The first is the awareness of innovation, the second is the awareness of business, the third is the awareness of aesthetics, and the fourth is the awareness of learning. As Drucker, the father of modern management, said, "The business of an enterprise must develop in line with the era and bear the marks of the era. Only in this way can the enterprise experience the baptism of the era and have resonance with the society, and thus can be significant."

Our eternal theme is: making breakthroughs through innovation while seeking development through changes; non–stop modernization and evolution.

We have been striving to build Modern Media into a leading, high–profile media Group in China. Over 26 years of entrepreurship, Modern Media has become the most innovative and internationalized high–profile media group in China. The Group has different types of innovative content including business, culture, art, fashion, lifestyle, and multi–media integration strategic platforms which combine digital technology and space platform. The Group has established years of partner relationships with the most influential international media agencies and organizations, such as Bloomberg Media Group, Time Inc., French Publishing Groups. Joining hands, the Group co–published the "Bloomberg Businessweek 商業周刊中文版", and "INSTYLE 優家畫報", "IDEAT 理想家", and "NUMERO 大都市" in Chinese. Meanwhile, in terms of art field, the Group also cooperated with international famous art institutions, established a long–term partnership with the famous British Museum V&A, built a "Modern Media Gallery" at the Image Center of V&A Headquarters in London, and published the world–renowned "The Art Newspaper 藝術新聞" in Chinese. The Group has founded more than ten magazines in mainland China and Hong Kong, such as "Modern Weekly", "Life Magazine", "City Magazine", "Arbiter", and boasted more than ten years of digital and social media development history. Two years ago, the Group also acquired the controlling equity interest of Nowness, the world's most influential online platform for young people's creative and cultural video broadcasting, from the famous French luxury brand Louis Vuitton. All these have further expanded the presence of Modern Media in the global market and further enhanced its international recognition and influence.

While developing business, Modern Media has always been committed to developing social public welfare. Ten years ago, we began to help the development of special education in China. In Songzi, Hubei Province, we supported to build a "Modern Media Special Education School" which won numerous government awards and honors in China. Moreover, we established the "Modern Media Special Education Foundation" as a charity organization to further expand the support and development for special education. The social responsibility has always been the DNA of Modern Media, in which, we hope to make more efforts and contributions.

現代傳播簡介

中國領先的高端國際化傳播集團

現代傳播的使命：世界潮流的傳播者，中國精英的塑造者。

現代傳播的理念：傳播國際視野，追尋現代中國。

現代傳播的遠景：立足中國，胸懷世界的國際化傳播集團。

現代傳播的基因：國際化、時尚化、高品位、社會心。

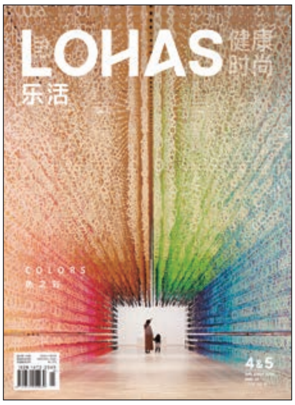
現代傳播是品質和創意的保證。

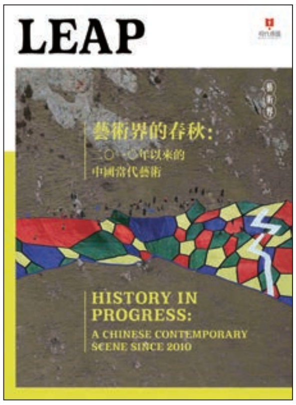
現代傳播的理想和使命是追尋現代中國，傳播國際視野。爲追尋現代中國而貢獻自己的力量。現代化和國際化一直是我們努力的目標。現代性也是我們所崇尚的，和力求傳播的。現代傳播的核心競爭力是：思想性、藝術性、創新性和專業性。國際化、時尚化、高品位和社會心是我們的基因。態度、信念、創意、夢想是我們的核心價值。意識決定行動，爲此，對于現代傳播的員工來説最重要的是要有四個基本意識，第一是創新意識，第二是商業意識，第三是審美意識，第四學習意識。正如現代管理學之父德魯克所説："一家企業的業務必須和時代一起發展，打上時代的印記。衹有這樣經歷時代的洗禮，與社會有共鳴，才有意義。"

以求新去突破，以求變去發展。不停現代 ，不斷進化。是我們永恒的主題。

我們一直努力致力于把現代傳播打造爲中國領先的高端國際化傳播集團。經過二十六年的艱苦創業現代傳播已經成爲中國領先的最具創新性和國際化的高端傳播集團。旗下擁有包括商業、文化、藝術、時尚、生活方式等不同類型的創新內容和數碼技術與空間平台等多媒體融合發展戰略平台。與國際最具影響力的國際傳播機構和集體擁有多年的合作伙伴關系如美國的彭博商業傳媒集團、美國時代出版集團、法國出版集團等。共同出版《彭博商業周刊中文版》、《InStyle優家畫報》、《IDEAT中文版》、《Numero中文版》等。同時，在藝術平台上也與國際知名藝術機構深入合作，與英國著名博物館V&A建立了長期的合作伙伴關系，并在倫敦的V&A總部影像中心建立了"現代傳播畫廊"，出版全球著名的《The Art Newspaper中文版》等。在中國大陸和香港創辦了超過十本雜志《周末畫報》、《生活月刊》、《號外》、《生活家》等和超過十年的數碼與社交媒體的發展歷史，并于二年前收購了由法國著名奢侈品品牌路易威登旗下的全球最具影響力的年輕人創意文化視頻在綫播放平台Nowness的控股權，使現代傳播進一步拓展到全球市場和進一步擴大國際知名度與影響力。

現代傳播在商業發展的同時，還一直致力于社會公益事業的發展。我們在十年前開始幫助國內特殊教育的發展，在湖北鬆滋幫助建設了一間在國內多次獲得政府獎勵和榮譽的"現代傳播特殊教育學校"。同時，我們還建立了"現代傳播特殊教育基金會"作爲進一步擴大對特殊教育事業的支持和發展的慈善組織。社會心一直是現代傳播的基因，我們希望在社會責任中作出更多的努力和貢獻。





平面平台

PRINT PLATFORM

數碼平台
DIGITAL PLATFORM

iWeekly
周末畫報

Bloomberg
Businessweek
商業周刊/中文版

InStyle iLady

NOWNESS
現在

ART CALENDAR
展覽日歷

IDEAT 理想家

IART 藝術新聞

LOHAS
樂活

非常號外

IMAGAZINE
現代志庫 IPAD

空間平台
SPACE PLATFORM

ziwu 誌屋

Modern Art KITCHEN 艺厨

MAB Modern Art Base

Modern Art Academy

Modern Workshop

Modern Studio

誌屋

ZiWU是一本立體化時尚空間誌，集知識、時尚、藝術與生活方式等内容于一身；是一個能够被看到、聽到、摸到和被感知的創意空間。

Ziwu

Ziwu is a three-dimensional fashion space that combines knowledge, fashion, art and lifestyle, and also a creative space that can be seen, heard, touched and perceived.

BROWNIE

BROWNIE Art Photography 品牌誕生的初衷是向每一個人分享來自全球的攝影藝術作品及文化，致力于將攝影及視覺藝術帶入生活，以創造具有藝術美感及靈感的生活方式。

BROWNIE

The original purpose of creating the BROWNIE Art Photography brand is to share with everyone the photography art works and culture around the world. It has been committed to integrate photography and visual art into life, thus create a lifestyle full with aesthetic perception and inspiration.

現代傳播大平台
MODERN MEDIA PLATFORM

平面 Print

周末画报 MODERN WEEKLY
生活 LIFEMAGAZINE
號外
InStyle 优家画报
Numéro 大都市
IDEAT理想家
商业周刊/中文版 Bloomberg Businessweek
Bloomberg Businessweek 彭博商業周刊/中文版
LOHAS 乐活
THE ART NEWSPAPER 艺术新闻
艺术界 LEAP

數碼 Digital

现在
IDEAT
VERA CITY 號外
現代誌庫 MAGAZINE

空間 Space

ZIWU 誌屋
Modern Art KITCHEN 艺厨
MAB Modern Art Base
Modern Art Academy
Modern Workshop
Modern Studio

内容中心
CONTENT ISSUER



生活方式 Life Style

文化 Culture

藝術 Art

商業 Business

時尚 Fashion

視頻 Video


NOWNESS
现在

現代傳播公司架構
MODERN MEDIA CORPORATE STRUCTURE

主席報告

創辦人，董事會主席兼
首席執行官
邵忠
Shao Zhong
Founder, Chairman &
Chief Executive Officer

財務總裁，
公司秘書兼執行董事
莫峻皓
Mok
Chun Ho,
Neil
CFO, Company Secretary &
Executive Director

執行董事，運營總裁
德浩仕
Alain
Deroche
Executive Director &
Chief Operating Officer

執行董事暨上海地區總經理，
《InStyle 優家畫報》及InStyle iLady出版人，
《IDEAT理想家》出版人
楊瑩
Amy Yang
Executive Director, General Manager of
Shanghai Office, Publisher of InStyel Modern
Lady & InStyle iLady, Publisher of IDEAT CHINA

執行董事/北京地區總經理,
《商業週刊/中文版》出版人
李劍
Patrick Li
Executive Director/General Manager of Beijing Office, Publisher of Bloomberg Businessweek China

公司創始人主席的話:

以求新去突破 以求變去發展

本集團在2019年將繼續擴大創新商業模式，進一步拓展和完善從平面媒體到數碼媒體再到平台媒體的轉型升級。平台經濟已經成爲中國新經濟的增長點，爲此，現代傳播的發展戰略經過三個發展階段:從PaperZine平面媒體到Mobile Zine數碼媒體再到Space Zine平台媒體的轉型。

不停現代 不斷進化是我們永恒的目標。共同邁向新時代。

擁有抱負是一項重要品質。時代在前進，世界迭代越來越快，需要你對世界進行充分認知，敏感判斷。「改變認知，重新連接，這就是一種創意。」——德魯克

爲此，我們希望通過我們的努力不斷讓自己成長和完善我們這個社會。永遠走在時代的前沿，不斷探索文化藝術與社會和商業之間的關系的理想模式。

所有的創業理念，或者所有的公司的發展，都來自于創始人內心那顆激動澎拜的心。他們是公司超强的發動機。如果創始人趨于平庸，公司就會趨于平庸，而公司一旦平庸，其股份就變得分文不值。

國際化、時尚化、高品位、社會心是我們的企業基因。不管市場如何改變，追尋現代中國與傳播世界潮流，創建一間立足中國，胸懷世界的國際化傳播公司是我們從來沒有改變過的意志、力量和夢想。

爲此，在實踐過程中我們通過不斷創新和探索，形式也可以不拘一格從平面產品到數碼產品，再到空間平台不斷更新換代。不斷賦予新的時代精神和文化創意內涵。另一方面，組織形式也可以不斷調整和發展。

我們一定要有創建新業務的勇氣和能力。不斷去嘗試和創造不一樣的業務，讓自己和員工的生命變得不同，這是我對自己和現代傳播的期許。這也是我與現代傳播保持年輕與活力的所在。

企業成長的三個層次：
層次一：延續及鞏固核心業務
層次二：建立新業務
層次三：創造未來的業務機會
這個就是所謂的戰略眼光，也是柳傳志説「吃著碗裏看著鍋裏想著田裏。」
這個就是短、中、長的業務規劃。

我們必須同時經營這三個層次的成長。正如葛夏和巴特雷（戰略大師）兩人所説的：企業經營者實際上面臨的是甘苦都有的挑戰，亦即改善當前業務運作的「苦藥」，及激勵業務重新成長的「甜美」振興計劃。
也是我們所規劃的藍圖「不停現代」
第一現代：出版商業Printing Business
第二現代：數碼商業Digital Business
第三現代：平台商業Platform Business

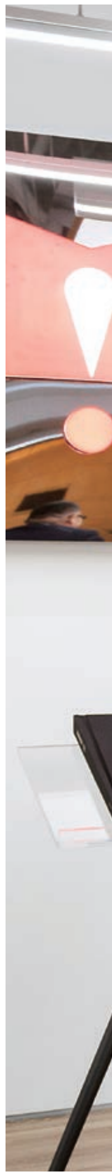
未來最有價值的是平台企業，後互聯網時代已經到來。即平台經濟將會是未來發展的新趨勢。我們必須積極擁抱和迎接新的商業契機。我們必須堅信發展才是硬道理!

隨著技術的發展和文化的影響與社會的變革而促進商業模式的轉型與創新
印刷技術—數碼技術—平台技術
發行網—互聯網—物聯網
資訊—服務—共享

祇有不斷去學習和思考下一步，不斷擁抱新生事物才能做到永續經營和與時俱進的時代企業。做到讓自己和企業永保青春。

5個P是我們的成功框架
一、定位
二、平台
三、產品
四、通路
五、伙伴

抓住流行文化的商機
創建時尚藝術化的人文創意生態社區，激發創意靈感，營造一個聚集藝術時尚潮流氛圍，將當代人生活環節與工作實現完美交織。其實很多事情都是邊做邊想出來的，如Modern Space 都是在做辦公室和藝術空間時想出來的創意和生意。其實就是一個空間雜志(Space Zine)的概念。傳播一種生活方式，讓一個中產家庭可以在周末從早到晚待在那裏，讀書學習，享受生活。爲消費者提供具有幸福感的一站式的休閑空間。空間即媒體，行爲即內容。通過價值鏈的重組和整合轉變成平台，這才是真正的升級與換代區别。
現代傳播希望運用移動互聯網平台技術平面和綫上與空間的互動用平台建築全媒體矩陣。



没有成功的企業，祇有時代的企業。我們要塑造時代先鋒的企業形象。爲此，我們要將客户的生活方式與我們的品牌挂鈎。現代傳播的員工，會覺得在現代傳播上班是一份體面的工作。所以，我們不能隨便招人，我寧可高一些薪水也要招聘到更好的人才。在一個有創意有品味的公司上班對于優秀的人才來説仍然是很重要的。如果企業具有先鋒特色和品牌影響力力則更會吸引更優秀的人才來工作。
所以，不斷去提升和發展企業的品牌形象是非常重要的事情。讓每個同事作爲現代傳播的員工都有自豪感、有面子是我要去努力的工作。
就像我個人一樣，希望我們的企業也建立起一個有魅力的企業。一個有創新精神和有創意活力，有品味和有品質具有獨特風格的代表時代先鋒標志性的企業。
型時代，這就要求我們必須形成不斷求新求變的意識和習慣。不斷推陳出新，保持新鮮感緊貼時代潮流，而非時尚潮流。正如現代管理學之父德魯克所説：「一家企業的業務必須和時代一起發展，打上時代的印記。祇有這樣經歷時代的洗禮，與社會有共鳴，才有意義。」
爲此本集團與時具進不斷通過資源整合與重組，進一步拓展創新業務的發展。我們將建立四大媒體平台，包括時尚、文化、藝術與商業平台。同時我

們將通過將平面與數碼和空間體驗三者融合打造一個連接綫上綫下的新型的平台融合的媒體新商業模式，傳播一種新型流行文化的生活方式，爲消費者提供具有幸福感的一站式的休閑空間和平台。空間即媒體，行爲即內容。”通過內容的策展形式，讓價值鏈的重組和整合轉變成平台，即內容空間社區電商。就是消費升級與新零售的概念。在後互聯網時代，將傳統人文精神和時尚文化創意與數碼文明進行交融，并轉化成數碼時代的生活美學落地。

力争在二零一九年爲集團帶來新的機遇和增長點。

展望未來，管理層深信通過進一步實施拓展新的平台媒體創新商業模式策略，特別是實體空間雜志式體驗空間的發展模式將爲集團帶來新的機遇和增長勢頭。

我們相信在全球第二大經濟體的中國市場，作爲中國大陸有25年歷史，最具影響力和知名度的高端集時尚、文化、藝術、商業等領域的領先地位的傳媒集團，在今年將迎來集團在香港主板上市十周年之際一定會給股東帶來新的發展前景和收益，共同邁向新時代。

主席

邵忠

二零一九年三月二十二日

創辦人，董事會主席兼
首席執行官
邵忠
Shao Zhong
Founder, Chairman &
Chief Executive Officer

首席策略顧問兼名譽副主席
鄭志剛博士
Dr.Cheng Chi Kong
Chief Strategic Advisor
& Honorary Vice-chairman

Chairman's Statement

MESSAGE FROM THE CHAIRMAN, FOUNDER OF THE COMPANY

Making breakthroughs through innovation Seeking development through changes

In 2019, the Group will continue to expand its innovative business model and further expand and improve the transformation and upgrade from print media to digital media and finally to platform media. The platform economy has become the growth point of China's new economy. To this end, the development strategy of Modern Media has gone through the transformation of three development stages:

from print media, Paper Zine to digital media, Mobile Zine finally to platform media, Space Zine.

CONSTANT MODERNITY AND CONSTANT EVOLUTION ARE OUR ETERNAL GOALS. MOVE TOWARDS A NEW ERA

HAVING AN AMBITION IS AN IMPORTANT QUALITY

The era is moving forward, the world is iterating faster and faster, and you need to fully understand the world and make sensitive judgments. "Changing cognition and reconnecting are a type of creativity." —— Drucker

To this end, we hope that we will continue to grow and improve our society through our efforts. We want to always be at the forefront of the era, constantly exploring the ideal model of the relationship amongst culture, art, society and business. All the entrepreneurial ideas, or the development of all companies, come from the heart of the founder's excited heart. They are the company's super–strong engines. If the founders tend to be mediocre, the company will tend to be mediocre, and once the company is mediocre, its shares will become worthless.

Internationalization, style, refined taste and social responsibility are our corporate genes. No matter how the market changes, with the spirit of "Modern China, Global Version", building up an international media company based in China is our will, power and dream that have never changed. To this end, in the process of practice, through continuous innovation and exploration, the form can also be eclectic and constantly transformed from print products to digital products, and then to the space platform. We also constantly endow new spirit of the time and cultural and creative connotations. On the other hand, organizational structure can be constantly adjusted and developed.

We must have the courage and ability to create new business. Constantly trying to create a different business and making my lives and employees' lives different are my expectation for myself and Modern Media. This is also why both I and Modern Media are young and energetic.

THREE LEVELS OF CORPORATE GROWTH
Level 1 continuation and consolidation of core business Level 2 establishment of new business
Level 3 creation of future business opportunities

This is the so–called strategic vision, and it is also said by Liu Chuanzhi that "I am eating with a bowl, looking at the pot and thinking about the field."

This is the business plan for short, medium and long term.

We must operate our business in these three levels of growth at the same time. As Ge Xia and Bartley (strategic master) said: Business operators actually face the challenges of hard work, which is, the "bitter medicine" of improving the current business operations, and the "sweet beauty" revitalization plan of stimulating the business to grow again.

IT IS ALSO THE BLUEPRINT OF "NON–STOP MODERNIZATION" WE HAVE PLANNED

First Modernization
Printing Business

Second Modernization
Digital Business

Third Modernization
Platform Business

What is the most valuable in the future is the platform enterprise, and the post–Internet era has arrived. The platform economy will be a new trend in the future. We must actively embrace the new business opportunities.

We must firmly believe that development is the absolute truth!
Promote the transformation and innovation of business models with the development of technology, the influence of culture and the transformation of society
Printing Technology – Digital Technology – Platform Technology Distribution Network – Internet – Internet of Things Information – Services – Sharing

Only by constantly learning and thinking about the next step and constantly embracing new things can we achieve sustainable business which keeps pace with the times, so that I and the company could stay young forever.

5–Ps ARE OUR SUCCESS FRAMEWORK

I. Positioning
II. Platform
III. Product
IV. Path
V. Partner

SEIZE THE BUSINESS OPPORTUNITIES OF POPULAR CULTURE

Creating a humanistic creative ecological community of fashion and arts, encouraging creative inspiration and creating an atmosphere of gathering art and fashion could perfectly interweave the life links and work of contemporary people. In fact, many things are thought out and done together. For example, Modern Space is the idea and business that appeared at the time of making office and art space. In fact, it is a concept of Space Zine. Spreading a lifestyle so that a middle–class family can stay there from morning till night on weekends, reading, studying and enjoying, could provide consumers with a one–stop leisure space with happiness. Space is the media, and behavior is content. Through the restructuring and integration of the value chain into a platform, this is a real upgrade and replacement.

MODERN MEDIA WISHES TO BUILD A FULL MEDIA MATRIX THROUGH THE INTERACTIVE PLATFORM OF PRINT, DIGITAL AND SPACE BY UTILISING INTERNET TECHNOLOGY

There are no successful corporates, only corporates in the era. We want to shape the corporate image of leading the era. To this end, we want to link our customers' lifestyles to our brands. The employees in the Modern Media would feel that working in Modern Media is a decent job. Therefore, we can't recruit people casually. I would rather hire a better talent with a higher salary. Working in a creative and tasteful company is still very important for talented people. If the company has avant–garde characteristics and brand influence, it will attract more talented people to work.

Therefore, it is very important to constantly improve and develop the brand image of the company. Letting each colleague in Modern Media has a sense of pride and face is the work I that I would be committed to.

Just like me, I hope that our corporate is also a charming enterprise, a pioneering and iconic company with innovative spirit, creative energy, taste and quality.

An particular era requires us to form the consciousness and habit of constantly seeking new changes. We need to constantly innovate, keeping a fresh sense of the era, not a fashion trend. As Drucker, the father of modern management, said: "The business of a company must develop with the era and bear the imprint of the era. Only by experiencing the baptism of the era and resonating with society can it make sense."

To this end, the Group has continued to expand its innovative business through resource integration and reorganisation. We will build four major media platforms, including fashion, culture, art and business platforms. At the same time, we will integrate a combination of print, digital and space experience to create a new media model that integrates online and offline platforms, which would spread a new popular culture lifestyle and provide consumers with the one–stop leisure space and platform with happiness. Space is the media, and behavior is content. Through the curatorial form of content, the reorganisation and integration of the value chain will be transformed into a platform, which is the content space community e–commerce. It is the concept of consumption upgrade and new retail. In the post–Internet era, the traditional humanistic spirit and fashion culture creativity and figure civilizations will be blended and transformed into the aesthetics of life in the digital era.

Strive to bring new opportunities and growth points to the group in 2019.

Looking ahead, the management is convinced that the further development of the new platform media innovation business model strategy, especially the development model of the experience space of the physical space magazine will bring new opportunities and growth momentum to the Group.

We believe that in the market in China, the world's second largest economy, as the most influential and well–known high–profile media group with 25 years history in mainland China, which has leading position in the fashion, culture, art, business and other fields, the Group will bring new development prospects and benefits to shareholders on the occasion of 10th anniversary of the listing on the Main Board of Hong Kong this year, and move towards a new era.

Shao Zhong
Chairman
22 March 2019

公 司 花 絮 COMPANY NEWS

現代傳播和邵忠基金會參與捐助的V&A攝影中心開幕

倫敦維多利亞與阿爾伯特博物館（Victoria and Albert Museum, V&A）新的攝影中心將正式對外開放，現有的攝影空間被擴大了一倍，包括現代傳播畫廊（Modern Media Gallery）的一系列新畫廊將成爲圍繞媒介發展的“文化研究”的“櫥窗”，博物館攝影部的高級策展人馬丁・巴恩斯（Martin Barnes）表示，“這是我們稱之爲攝影中心的原因”。10月10日，攝影中心由劍橋公爵夫人，同時也是博物館贊助人凱特・米德爾頓（Kate Middleton）主持揭幕，這次開幕標志着花費300萬英鎊的第一階段項目完成，由現代傳播集團、邵忠藝術基金會和伯恩・施瓦茲家庭基金會（Bern Schwartz Family Foundation）等共同支持。

Opening of the V&A Photography Center donated by Modern Media and Shao Foundation

The new photography centre of the Victoria and Albert Museum (V&A) will be officially opened to the public, and the existing exhibition space will be doubled, Modern Media Gallery will be included in the new collection of galleries, which will become a "window" of "cultural studies" around the development of media. Martin Barnes, a senior curator of the museum's photography department, said, "This is why we call it a photography center." On 10th October, the photography center was unveiled by Kate Middleton, the Duchess of Cambridge and also the patron of the museum. This opening marks the completion of the first phase of the ￡3 million project, which was jointly supported by Modern Media Group, the Shao Foundation and the Bern Schwartz Family Foundation.

ZiWU&明星
ZiWU&Star

ANGELABABY

張恩利

李宇春

R J & AA

劉嘉玲

應采兒

KIM JONES & LINDA

時代探索，現代傳播25周年年度獻禮

25，青春尚在場，熱情未退却的探索時代。現代傳播記録下一個立場鮮明的精神世界蜕變的漫長過程；也打開了一道通往“一代人”内心深處的門。對于一代人甚至幾代人來説，現代傳播更像是一面鏡子。在這裏，人們照見一個最生動，最真實的時代與自我。國際著名舞蹈家、藝術家沈偉擔任本次現代傳播25周年慶祝盛典的藝術總監。脚步不能抵達的地方，眼光可以抵達；眼光不能抵達的地方，精神可以飛到。本次慶典沈偉携其極具强烈的東方式的清冷與節制感的代表作《聲希》，通過多個維度，最具代表性的舞蹈作品帶來身臨其境的視覺盛宴——《聲希–水境》。

Celebration of the 25th Anniversary of Modern Media in an Era of Exploration

The age of 25 means a era of exploration when the youth is still present and the era of enthusiasm has not retreated. Modern Media records the long metamorphosis process of the clear–cut spiritual world, and also opens a door to the heart of "a generation". For a generation or even a few generations, Modern Media is more like a mirror. Here, people see the most vivid and true era and themselves. Shen Wei, an internationally renowned dancer and artist, served as the artistic director of the celebration of the 25th anniversary of Modern Media .Where the footsteps cannot reach, the eyes can reach; where the eyes cannot reach, the spirit can fly into. At this celebration event, Shen Wei presented his masterpiece "Folding"(《聲希》), which showed his strong oriental style of cold and restraint. "Folding–Water Mirror ”（《聲希–水境》), the most representative dance works brought an immersive visual feast through multiple dimension

教師節相約市特校，收獲溫暖與感動

傳播愛心無止境，扶殘助學見真情。9月10日，美景如畫的金秋時節，鬆滋市人大主任趙茂安來到市現代傳播特殊教育學校，與來自香港現代傳播集團的莫峻皓先生、陳明先生、蔡京琰女士、現代傳播特殊教育學校的師生們共度第34個教師節。

Harvesting warmth and moving, through visiting the special education school on Teacher's Day

Spread endless love, and help the disabled and devote to education. On 10th September in the autumn season, Mr. Zhao Maoan, director of the Songzi Municipal People's Congress, and Mr. Mok Chun Ho, Mr. Chen Ming and Ms. Cai Jingyan from Modern Media Group, visited Modern Media Special Education School in Songzi, to celebrate the 34th Teacher's Day together with the teachers and students of the school.

Corporate Information

BOARD OF DIRECTORS
Executive Directors
Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain

Independent Non-executive Directors
Mr. Jiang Nanchun
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE
Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Dr. Gao Hao
Ms. Zhong Yuan Hong

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

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Mr. Mok Chun Ho, Neil

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Guangdong Province, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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Aberdeen
Hong Kong

PRINCIPAL BANKERS IN HONG KONG
Bank of China (HK) Limited
Wing Lung Bank Limited

PRINCIPAL BANKERS IN THE PRC
China Merchants Bank
(Shanghai Branch, Xujiahui Sub-branch)
Industrial Bank Co., Limited
(Guangzhou Branch, Haizhu Sub-branch)
China MinSheng Banking Corporation
(Beijing Guangan Men Sub-branch)

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STOCK CODE
Stock code: 72

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MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

In 2018, the Group's revenue increased by 3.1% as compared with the previous year, with EBITDA turning from a loss to profit, benefiting from the initial success of strategy of promoting new platform business concepts and reinventing innovative plans adopted by the Group from the previous year. Especially, the Group set up Ziwu, a magazine style experience space. This innovative operating model integrated the one-stop online and offline media platforms. In 2019, the Group will continue to expand innovative business models, and further expand and improve the transformation and upgrade from print media to digital media and to platform media. Platform economy has become a growth point of Chinese new economy. In this regard, the Group keeps pace with the times through the integration and reorganization of resources to further expand the development of innovative business. We will build four media platforms covering fashion, culture, art and commerce platforms. At the same time, we will strive to build a new media business model that integrates online and offline platforms by combining print, digital and spatial experience, thereby bringing new opportunities and growth points to the Group in 2019.

Since 2015, the Group had strategically restructured its business into two business segments, namely "print media and art" and "digital media". In 2018, print media remained as the major income contributor of advertising revenue while digital media was outperformed in generating revenue. The segment results are as follows:

	Print Media and Art *RMB'000*	Digital Media *RMB'000*	Total *RMB'000*
2018			
Reportable segment revenue	**303,103**	**154,535**	**457,638**
Reportable segment (loss)/profit	**(37,273)**	**9,377**	**(27,896)**
Segment EBITDA	**(20,810)**	**24,082**	**3,272**
2017			
Reportable segment revenue	316,503	122,080	438,583
Reportable segment (loss)/profit	(37,077)	3,176	(33,901)
Segment EBITDA	(22,372)	10,802	(11,570)

On the segment results, the segment revenue for print media and art in 2018 suffered a 4.2% decrease when compared with 2017, as a result of the downturn in traditional print industry; the segment loss maintained at similar level despite the sales drop. On the other hand, our digital media segment recorded an increase in segment revenue by 26.6% with surging profits of 195.2% as compared to last year. The Group had been leveraging on the economics of scale by operating a number of well-established Apps in 2018, the management 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 issued by CTR, a marketing research firm, the total advertising revenue of printed magazine category in 2018 has been decreased by 8.6% as compared with that of last year.

The Group commenced in year 2018 with five weekly/bi-weekly and six monthly/bi-monthly magazines in both the PRC and Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health, etc. In November 2018, the Group launched another high-end magazine, namely "Arbiter" in the PRC market, which mainly targets on those business leaders and entrepreneurs who demand quality life.

In 2018, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB272.7 million (2017: RMB296.5 million), which recorded a decrease of approximately 8.0% as compared to 2017, 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 2018. The revenue of our flagship magazine, "Modern Weekly" had suffered a decrease when facing the industrial depression in the overall printed media market. However, it has still been ranked no.1 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 surviving in the industry.

Our rebranded magazine, "INSTYLE 優家畫報", continued to be one of the favorite women's style magazines in the market, it had successfully organized a number of events such as "Icon Award" during the year, which had increased its market recognitions amongst brand advertisers. Despite the severe decline in print industry, it had just recorded a slight decrease in the year as compared to that of 2017. The reader's club of "INSTYLE 優家畫報", "You Jia Hui" (優家薈), has becoming more and more attractive to those female elites after running a series of events in several cities in both the PRC and overseas countries, the number of members of "You Jia Hui" had kept increasing during the year and the club membership fees had created an 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 of print media industry. Nonetheless, according to the market research conducted by Admango, by comparing with 40 other business and financial magazines, it ranked no.7 in terms of the advertising revenue. On the other hand, "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 2018 has improved by 11.7% compared to that of 2017, irrespective of the declining magazine advertising industry. In the coming year, "Bloomberg Businessweek/China" (Traditional Chinese edition) plans to organize more events such as "Nobel Hero Day" and "Block chain Summit" in Hong Kong which aims to continuously enhance its market influence and reputation.

Advertising revenues of other monthly magazines operated by the Group in the PRC and Hong Kong recorded different performances. Some titles such as "IDEAT" and "LOHAS" recorded rising advertising revenue as compared to last year, whilst some other monthly titles experienced revenue declines as per the general trend of the print media business. The Group will continue to review such portfolio of monthly magazines and targets to attain an optimal operating result in 2019 and onwards.

During the year, the art business had contributed revenue of RMB10.2 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 generated from our cultural and creative space – Modern Art Base, which contains art gallery, art kitchen, workshop, bookshop, photo studio and retail space. The management plans to develop membership business in Modern Art Base in 2019 and is confident that our art business will bring in additional profit in the coming future.

In March 2018, the Group reached an agreement with The Cultivist, an internationally renowned art club which is active in New York and London, to jointly create a top art club in the Greater China. The Cultivist is exclusively licensed by The Cultivist and co-founded with the Group to provide personal services for collectors, patrons, artists and curators, as well as other cultural influencers and art lovers in the Greater China. To enable Chinese collectors to better reach international art and deepen their ties with the global art world, and to allow international collectors to better explore the artistic ecology of China and even Asia; at the same time, with the development of the club, The Cultivist continuously develops and maintains local partnerships, integrates the world's top art resources, and contributes to the development of global culture and art.

As the first leading multi-channel video art platform in the Greater China, "Modern Eye" includes museum-level photo production, custom photo products, limited edition images of online stores and offline galleries, as well as the sales of image derivatives, photography artist agency, curation, publishing, education, B2B projects, etc. It meets the needs of the family's consumption of decorative arts, catering and hotel industries, as well as the brand. In view of the strategic cooperation with the world's leading photography collection agencies such as The V&A's Gallery Photography Centre in London and also the cooperation with PhotoFairs Shanghai in the past 5 years, the Group has accumulated the strongest resources in the global imaging field. At the same time, the forward-looking "Modern Eye" will also develop moving image and the products in new media fields such as virtual reality, augmented reality and mixed reality, as well as the exhibition agency business, which will lead the art consumption of the millennial generation.

(ii) Digital Media

By comparing to the stagnant advertising environment in print media sector, the overall market sentiment of the digital sector was still optimistic. According to the Advertising Expenditure Report issued by CTR, the advertising market of internet category achieved a year-on-year increase of 7.3% in 2018. The total revenue contributed by the Group's digital media recorded an increase by 26.6% in 2018 when compared with that of last year, which outperformed the market growth.

For the year 2018, the number of “iWeekly” downloads on both smartphone and tablet PC reached approximately 14.8 million together. “iWeekly” continuously upgrades 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 applications on the Apple’s and Android’s platforms.

“INSTYLE iLady” continued to be a comprehensive informative platform for elite women, it has already accumulated more than 7.2 million users as at the end of 2018. 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 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. During the year, it had experienced a surge in advertising revenue of approximately 50.9% as compared to that of 2017. In the future, “INSTYLE iLady” will utilize the influence of social media to create more interactions with users and continuously enhance its recognition and popularity in the market.

“Bloomberg Businessweek 商業周刊中文版” has successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 10.9 million members together, which was 25.3% 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 2018” in Apple’s AppStore. The iPhone version was ranked no. 2 in Newsstand Top Grossing List in Apple’s 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 increased to RMB6.5 million in 2018 from RMB5.0 million last year; the management expected the subscribed reader base would be continuously enlarging in the coming future. In 2018, “Bloomberg Businessweek 商業周刊中文版” team also produced a documentary series namely “Business Geography” (“商業地理”) which were broadcasted in Tencent Video channel and the accumulated click rate had achieved 35.3 million as at the end of 2018, the success of this new attempt gave the management more confidence to explore diverse business opportunities in new areas.

With the acquisition of “Nowness” last year, the Group had hired a team of professionals to operate Nowness video platform in the PRC, 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. In April 2018, “Nowness” app was successfully launched in App Store and the accumulated downloads had reach 2.9 million as at the end of 2018. The advertising and production revenue derived from “Nowness” had reached RMB23.1 million in 2018 and it is expected to generate more income in the coming future.

Given the expansion plan in progress, the Group’s digital media business had maintained at a profit situation in the current year. We are confident that with the enlargement of the user base of our app products, our digital business will further generate considerable revenue and achieve remarkable business growth in the future.

(B) BUSINESS OUTLOOK

In 2019, the Group will continue to expand innovative business models, and further expand and improve the transformation and upgrade from print media to digital media and to platform media. Platform economy has become a growth point of Chinese new economy. In this regard, the Group keeps pace with the times through the integration and reorganization of resources to further expand the development of innovative business. We will build four media platforms covering fashion, culture, art and commerce platforms. At the same time, we will strive to build a new media business model that integrates online and offline platforms by combining print, digital and spatial experience, thereby bringing new opportunities and growth points to the Group in 2019 .

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

“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 would rebound in the coming year. As always, the Group also constantly reviews its magazines portfolio and identifies different partners to operate printed magazines and other extended businesses.

“Modern Digital” continues to be the growth engine of our business. The Group acquired an international video platform “Nowness” in 2017, which is an influential media in the fashion industry. The website won several international video awards in the past few years. By actively producing videos with refined and distinctive contents, the Group aims at attracting and raising the number of downloads in the Greater China and South East Asia. The “Nowness” team is undergoing an internal restructuring so that the operations under global structure will become more efficient and cost effective. In addition, the Group had launched the “Nowness” App in 2018, with the huge traffic to the website and the App will definitely attract significant growth in brand advertising in the coming years. Moreover, the Group will utilize the brand of “Nowness” to develop a series of extended businesses, including opening brand experience stores, launching derived products, establishing theme restaurants, organizing video-related courses and so on, in order to explore different sources of income. The Group will also explore the practicability of adding a function in the website so that customers can immediately purchase after preview, and will gradually develop assisted purchase on e-commerce. The Group expects the Modern Digital to achieve satisfactory performance in the coming year.

“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 different phases of development. “Modern Space” will continue to vigorously develop a more solid and complex platform in 2019. In addition, as the new retail business with biggest potential in the Group, the product structure of “Modern Space” is becoming increasingly perfect, the first membership cultural and artistic complex project, Ziwu has started its trial operation in Shanghai. Its businesses include artistic restaurant, artistic photography store, membership book store, art gallery and art education classes. Ziwu links the online subscribers and offline readers with an innovative membership service system. Ziwu also connects space and creative content with brand new retail categories like magazine-subject derivative products, artistic photography products, designer cross-over products and the new profit mode developed from art consumer goods, to create a new paradise “Nest” for urban cultural omnivores. Ziwu is actually a conception of integrating plane, the Internet and Space Zine, which is a three-dimensional, experiential, mobile, interactive and networked commercial practice of the magazine’s contents by curation.

"Modern Art" business will gradually develop in other first-tier cities in the PRC such as Beijing, Guangzhou and Shenzhen, and becomes an important source of power for the Group's future profit growth. Modern Art's business will be extended to the operation of art exhibition, high-tech art club, art education, art travel, art derivatives, etc. The high-end arts club, The Cultivist, has started its business since March 2018 and will continue to develop the high-end entry-level art collectors market in the PRC in 2019. The newly developed "Modern Eye" business division was also basically completed at the end of 2018, which is determined to build the first leading multi-channel video art platform in the Greater China.

Looking forward, the management believes that we will bring new opportunities and growth momentum to the Group through deepening the implementation of the new platform media innovation business model strategy. As a high-profile media group having 25 years history in the PRC, we are the most influential and well-known media group and gains a leading position in areas including fashion, culture, art, and commerce in the Chinese market, which is the world's second largest economy. Therefore, we believe that, on the occasion of the 10th anniversary of our listing on the Main Board of Hong Kong, we will bring new development prospects and revenue to the Shareholders.

(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 (2017: nil).

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on 29 May 2019. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 24 May to 29 May 2019 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, Link Market Services (Hong Kong) Pty Limited of Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, for registration not later than 4:30 p.m. on 23 May 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow from operating activities of approximately RMB3.9 million (2017: RMB4.5 million), which maintained similar level as compared to last year. On the other hand, the Group's cash outflow used in investing activities amounted to RMB51.6 million (2017: RMB10.9 million) which was mainly attributable to the investment in property, plant and equipment of RMB41.2 million including payments for purchase of new office property in Beijing and leasehold improvement expenditures on new office in Beijing and cultural and creative space in Shanghai. The cash inflow of the Group from financing activities amounted to RMB7.2 million (2017: RMB7.5 million) which was mainly due to the capital injection from non-controlling interests.

Borrowings and gearing

As at 31 December 2018, the Group's outstanding borrowings was approximately RMB101.1 million (2017: RMB96.1 million). The total borrowings comprised secured bank loans of approximately RMB87.1 million (2017: RMB96.1 million) and other unsecured borrowings of approximately RMB14.0 million (2017: nil). The gearing ratio as at 31 December 2018 was 15.8% (31 December 2017: 14.7%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2018 and 2017, the total debts of the Group were repayable as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	101,108	96,144

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the year included expenditure on purchase of new office property, payments for software development in progress and prepayments for property, plant and equipment of approximately RMB50.2 million (2017: purchase of property, plant and equipment, purchase of intangible assets and payments for software development in progress of approximately RMB37.3 million).

Saved as disclosed in Note 32 to the consolidated financial statements, the Group did not have any material capital commitments as at 31 December 2018.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks 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 34 to the consolidated financial statements, as at 31 December 2018, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2018, the Group's bank loans of RMB23.0 million was secured by the Group's office properties in Beijing, which were guaranteed by Mr. Shao, the controlling shareholder of the Group; the Group's bank loan of RMB64.1 million were secured by the office apartment in Hong Kong.

As at 31 December 2018, the Group's printing credit line in an amount of approximately RMB3.8 million was secured by corporate guarantee given by the Company.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC, Hong Kong and the UK and majority of the transactions are denominated and settled in Renminbi ("RMB"), Hong Kong dollars ("HK$") or Great British Pounds ("GBP"), being the functional currency of the group entities to which the transactions relate. Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2018 and 2017, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 31 December 2018, the Group had a total of 593 staff (2017: 651 staff), total staff costs (including Directors' remuneration) recognised in profit or loss were approximately RMB153.5 million (2017: RMB166.7 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.

SHARE AWARD SCHEME

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 scheme (the "Share Award Scheme") on 3 December 2009. The Share Award Scheme has become effective on 7 December 2009. The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the year ended 31 December 2018, the Company did not contribute any amount to the Share Award Scheme and there were surplus funds in the Share Award Scheme to acquire shares of the Company. During the year ended 31 December 2018, 50,000 shares (2017: 100,000 shares) were awarded and vested to one (2017: one) selected employee under the Share Award Scheme, as approved by the Board.

Corporate Governance Report

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

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This report discloses how the Company has applied the principles of the CG Code for the year ended 31 December 2018.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

The Board recognizes its responsibility to act in the interests of the Company and its shareholders as a whole. At 31 December 2018, the Board has nine Directors: five Executive Directors and four Independent Non-executive Directors. Independent Non-executive Directors represent one-third of the Board.

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

Executive Directors
Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain

Independent Non-executive Directors
Mr. Jiang Nanchun
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao

The biographies of all the Directors, including their relationships, are set out on pages 68 to 69 of this Annual Report. Mr. Shao Zhong is the chairman of the Board and the Chief Executive Officer of the Group, who oversees the daily operation and management and has also actively involved in the Group's restructuring, business transformation, development of art business and other development of the Group's business. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

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

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

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

Board Proceedings

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

Name of Directors	Meetings attended	Meetings held during 2018
Executive Directors:		
Mr. Shao Zhong	2	4
Mr. Mok Chun Ho, Neil	4	4
Ms. Yang Ying	4	4
Mr. Li Jian	4	4
Mr. Deroche Alain	3	4
Independent Non-executive Directors:		
Mr. Wang Shi	0	4
Mr. Jiang Nanchun	0	4
Mr. Au-Yeung Kwong Wah	4	4
Dr. Gao Hao	4	4

Notes

1. On 3 December 2009, the Board resolved that, for transactions falling under Chapter 14 of the Listing Rules but with the amount involved less than HK$20 million and that all relevant percentage ratios not exceeding 5%, the same may be approved by any two Executive Directors, provided that within 5 working days from the date of signing of the agreement(s) for the transaction, a copy of such agreement(s) must be circulated to all Directors (including Independent Non-executive Directors). Out of the 4 Board meetings held, none falls within such category of meeting.

2. During the financial year ended 31 December 2018, board resolutions were passed at the physical board meetings stated above, and no written resolutions were passed by the Board.

3. The annual general meeting of the Company for year 2017 was held on 30 May 2018 and each of Mr. Mok Chun Ho, Neil, Mr. Li Jian, Mr. Deroche Alain, Mr. Au-Yeung Kwong Wah and Dr. Gao Hao attended the said general meeting.

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

Appointment, Re-election and Removal of Directors

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

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

Pursuant to the Code Provision A.4.3 of the CG Code, if an Independent Non-executive Director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. Each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah has served for more than 9 years and, being eligible, will stand for re-election at the annual general meeting of the Company for year 2019.

Induction and Continuing Development of Directors

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

Name of Director	Reading materials relevant to the Company's business or to their duties and responsibilities	Attending training courses on the topics related to corporate governance or regulations
Executive Directors:		
Mr. Shao Zhong	✓	✓
Mr. Mok Chun Ho, Neil	✓	✓
Ms. Yang Ying	✓	✓
Mr. Li Jian	✓	✓
Mr. Deroche Alain	✓	✓
Independent Non-executive Directors:		
Mr. Wang Shi	✓	✓
Mr. Jiang Nanchun	✓	✓
Mr. Au-Yeung Kwong Wah	✓	✓
Dr. Gao Hao	✓	✓

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

Remuneration of Directors and Senior Management

The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the year are set out, on an individual and named basis, in note 39(a) to the consolidated financial statements of this Annual Report on page 202. The remuneration policy of the Group is set out on page 65 of this Annual Report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors & Senior Management" in this Annual Report by band is set out in note 36(d) to the consolidated financial statements of this Annual Report on page 199.

Independence of Independent Non-executive Directors

The Board has received from each of the Independent Non-executive Directors (including each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah, who has served for more than 9 years) a confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules. Apart from other experiences, Mr. Wang Shi was the founder and currently the honorary chairman of China Vanke Co., Ltd. (a company which is listed on the Shenzhen Stock Exchange); Mr. Jiang Nanchun has over 20 years of experience in the media and advertising industries in the PRC and he was the founder and served as the chairman of the board of directors of Focus Media Holdings Limited (a company which is listed on the Shenzhen Stock Exchange); and Mr. Au-Yeung Kwong Wah has over 20 years of experience in auditing and financial control and is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. Alongside with the other Independent Non-executive Director, they contribute to ensuring the interests of all Shareholders. They made objective decisions and contributed to the Board with their valuable experience for promoting the best interests of the Company and the Shareholders, and they demonstrated a firm commitment to their roles. Also, each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah has specialized expertise in PRC real estate development, PRC media and advertising industries and auditing and financial field, respectively, contributing to diversity of the Board in terms of professional background, skills, experience, knowledge and expertise.

The Board considers that the long service of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah would not affect their exercise of independent judgements and is satisfied that each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah has the required character, integrity, experience and profound knowledge of the Group's business and their respective field of expertise to continue fulfilling the role of Independent Non-executive Directors effectively.

Taking into consideration of the above factors, the Directors consider each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah to be independent under the Listing Rules despite the fact that they have served the Company for more than 9 years. Pursuant to the Code Provision A.4.3 of the CG Code, the further appointment of each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah would be subject to a separate resolution to be approved by shareholders. Each of Mr. Wang Shi, Mr. Jiang Nanchun and Mr. Au-Yeung Kwong Wah has served for more than 9 years and, being eligible, will stand for re-election at the annual general meeting of the Company for year 2019.

Based on the above, the Board is of the view that all Independent Non-executive Directors of the Company are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and the Board Committees.

Other matters relating to the Board

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

CHAIRMAN AND CHIEF EXECUTIVE

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

Mr. Shao was the Chairman and Chief Executive Officer of the Company. The Board believes that with the support of the management, vesting the roles of both the Chairman and Chief Executive Officer in Mr. Shao, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. The Board therefore considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Company has established the Audit Committee in 2009 with written terms of reference. The Audit Committee initially comprises four Independent Non-executive Directors, namely, Mr. Au-Yeung Kwong Wah (Chairman of the Audit Committee), Mr. Wang Shi, Mr. Jiang Nanchun and Dr. Gao Hao.

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

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

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

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

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

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

 (ii) Major accounting estimates and judgmental areas;

 (iii) Significant adjustments following the audit;

 (iv) The going concern assumption;

 (v) Compliance with accounting standards; and

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

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

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

(f) To oversee the Company's financial reporting system and internal control system, and in particular the risk management system.

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

	Meetings attended	**Meetings held during 2018**
Mr. Au-Yeung Kwong Wah	2	2
Mr. Wang Shi	0	2
Mr. Jiang Nanchun	0	2
Dr. Gao Hao	2	2

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

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

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

(c) Discuss with the external auditors regarding the nature and scope of the 2018 audit;

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

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

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

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2018.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2018.

REMUNERATION COMMITTEE

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

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

	Meetings attended	Meetings held during 2018
Mr. Au-Yeung Kwong Wah	3	3
Mr. Jiang Nanchun	0	3
Dr. Gao Hao	3	3

Note:

1. During the financial year ended 31 December 2018, resolutions were passed at the physical board meetings of the Remuneration Committee stated above, and no written resolutions were passed by the Remuneration Committee.

During the year ended 31 December 2018, the Remuneration Committee has performed the following works:

- reviewed and discussed the remuneration policy of the Group and the remuneration packages of directors of the Company;
- determined the remuneration of the Executive Directors of the Company;
- reviewed and approved an award of shares under the Company's Share Award Scheme, as approved by the Board of Directors of the Company. Please refer to note 24(a) to the consolidated financial statements of this Annual Report on page 183.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2018 are set out in notes 39(a) and 36(d) to the consolidated financial statements.

NOMINATION COMMITTEE

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

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

	Meetings attended	Meetings held during 2018
Mr. Wang Shi	1	1
Mr. Au-Yeung Kwong Wah	1	1
Mr. Jiang Nanchun	0	1

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

(a) the needs of the Board and the respective committees of the Board and the current size and composition of the Board;

(b) the proposed candidate's character, experience and integrity;

(c) accomplishment and reputation in the business and other relevant sectors relating to the Group's business or development;

(d) commitment in respect of sufficient time and attention to the Company's business;

(e) in accordance to the Board diversity policy as stated in the paragraph headed "Board Diversity Policy" below, diversity in all aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender;

(f) the ability to assist and support management and make significant contributions to the Company's success;

(g) proposed candidate's understanding of the fiduciary responsibilities that is required of a Director and the commitment of time and energy necessary to diligently carry out those responsibilities; and

(h) any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and shareholders of the Company.

Once the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or management.

During the year ended 31 December 2018, no new Director was appointed.

During the year ended 31 December 2018, the Nomination Committee has performed the following works:

* reviewed and discussed the structure and composition of the Board;
* reviewed and discussed the policy for the nomination of Directors; and
* assessed the independence of the Independent Non-executive Directors.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the Environmental, Social and Governance Committee (the "ESG Committee") in 2016 with written terms of reference. The ESG Committee currently comprises three Executive Directors and a director of the Group's subsidiary, namely Mr. Shao Zhong (Chairman of the ESG Committee), Mr. Mok Chun Ho Neil, Dr. Gao Hao, and Ms. Zhong Yuan Hong. The primary duties of the ESG Committee are including (i) formulate and implement the ESG policies and strategies; (ii) set-up the key performance indicators and monitor the progresses and the end-results; (iii) review and revise the ESG policies to ensure the effectiveness of implementation.

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

	Meetings attended	Meetings held during 2018
Mr. Shao Zhong	1	1
Mr. Mok Chun Ho Neil	1	1
Dr. Gao Hao	1	1
Ms. Zhong Yuan Hong	1	1

Board Diversity Policy

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

Corporate Governance Report *(continued)*

The Board has considered measurable objectives based on the following focus areas: (i) professional skills, experience, knowledge and expertise; (ii) gender; (iii) age; and (iv) culture and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this Annual Report, the Board comprises nine Directors. Four of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterized by significant diversity, in particular, in terms of professional expertise and experience, age, and culture and ethnicity.

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

CORPORATE GOVERNANCE FUNCTIONS

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

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

INTERNAL CONTROLS

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

The responsibilities for maintaining the Group's internal controls are divided between the Board and management. The Board is responsible for setting and reviewing internal control policies to monitor the Group's internal control systems. The Board delegates the implementation of these policies to management. Management is responsible for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective internal control system which implements the policies adopted by the Board. The Company has set up its own internal audit department to perform an internal audit function in 2010. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the Audit Committee and the Board of Directors. The Board acknowledges that it is responsible for the Group's systems of internal control and for reviewing its effectiveness. Preliminary reviews of the Group's financial controls, internal control and risk management systems prior to formal reviews by the Board have been delegated to the Audit Committee in accordance with its terms of reference. The Audit Committee reviews the Group's financial controls, internal control and risk management systems at its regular Audit Committee meetings. The Company Secretary closely monitored the legislative progress on the statutory codification of certain requirements to disclose price sensitive information as formulated in the Securities and Future (Amendment) Bill 2011, to ensure application with obligations under applicable rules, regulations and laws. It should be noted, however, that while a sound and well-designed system of internal control helps to provide reasonable safeguards to assist the Group in achieving its business objectives, the system itself cannot provide protection with certainty against the Group failing to meet its business objectives or against all material errors, losses, fraud or breaches of laws or regulations. For this reason, the Board's review of the internal controls should not be treated as an absolute assurance that one of the risks mentioned above would not materialize. The Board reviewed the effectiveness of the Group's material controls, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, qualifications and experience of staff of its accounting and financial reporting function and their training programs and budget during the year and considered the Group's system of internal controls to be satisfactory.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements as set out in the Independent Auditor's Report of this Annual Report on pages 92 to 97.

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

EXTERNAL AUDITOR

Grant Thornton Hong Kong Limited ("Grant Thornton") was first appointed as the auditors of the Group in 2016. During 2018, Grant Thornton provided the following audit and non-audit services to the Group:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Audit services	1,423	1,318
Other non-audit services	236	218
Total	1,659	1,536

Grant Thornton Hong Kong Limited will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held on 29 May 2019.

A statement by Grant Thornton about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report section of this Annual Report on pages 92 to 97.

COMPANY SECRETARY

The company secretary of the Company, Mr. Mok Chun Ho, Neil, who is also an Executive Director, is responsible for supporting the Board, ensuring good information flow within the Board and Board policy and procedures are followed, advising the Board on government matters, facilitating induction and, monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the year. His biography is set out in page 68 of this report.

INVESTOR RELATIONS & SHAREHOLDERS' RIGHTS

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

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

1. Procedure for shareholders to convene an extraordinary general meeting

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

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

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

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

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

2. Procedure for raising enquiries

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

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar, Link Market Services (Hong Kong) Pty Limited, via send email to hkenquiries@linkmarketservices.com or call its hotline at (852) 3707 2600, or go in person to its public counter at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at hk@modernmedia.com.hk, fax: (852) 2891 9719 or mail to 7/F, Global Trade Square, 21 Wong Chuk Hang, Aberdeen, Hong Kong. Shareholders may call the Company at (852) 2250 9188 for any assistance.

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

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

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

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

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

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

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

The Company's next annual general meeting will be held on 29 May 2019 at 7/F., Global Trade Square, 21 Wong Chuk Hang, Aberdeen, Hong Kong.

If Typhoon Signal No.8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 3 hours before the meeting time on the date of the meeting, then the meeting will be postponed. The Company will post an announcement on the website of the Company at (www.modernmedia.com.cn) and HKEXnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association (the "Articles") of the Company were amended pursuant to a special resolution passed on 28 May 2012. The latest Articles are available on the HKEx's and Company's websites. There was no change to the Company's Articles during the year 2018.

CONCLUSION

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

Directors' Report

The Directors are pleased to submit their report together with the audited financial statements of Group for the year ended 31 December 2018.

BUSINESS REVIEW

Key financial and business performance indicators

The key financial and business performance indicators comprise profitability growth, return on equity, dividend growth and gearing ratio. Details of profitability analysis are shown in "Management Discussion and Analysis" section of this annual report. The Group's return on equity, based on loss for the year to net assets, narrowed down from -8.3% to -7.6% in the year under review as compared to the previous year, which mainly due to the improving advertising performance and narrowing of losses made. The Directors do not recommend the payment of any final dividend for the current year since the Directors recommend to preserve more financial resources in response to the market stagnancy. The Group's gearing ratio, calculated based on total debts to total assets, increased slightly from 14.7% in 2017 to 15.8% in the year under review; the Group will continue to safeguard its capital adequacy position, whilst to maintain a balance between business growth and risk management.

Environmental, Social and Governance

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

In 2016, the Board established the ESG Committee to formulate the policies and implement the procedures to deal with environmental, social and governance affairs of the Group.

Environmental protection

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

Workplace Quality

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

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

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

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

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

Compliance with laws and regulations

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

Relationships with key stakeholders

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

Employees

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

Customers

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

Service vendors

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

Regulators

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

Shareholders

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

Principal risks and uncertainties

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

The Group's principal business activities comprise the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation. It will be exposed to a variety of key risks including market risk, credit risk and liquidity risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 to the consolidated financial statements of this annual report.

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

Proposed spin-off

As mentioned in the Company's announcement dated 27 June 2016 and other previous announcements concerning the proposed spin-off of the digital businesses of the Group, the Company has decided to postpone the application of proposed spin-off to a later stage owing to the volatility of the capital market. Following that, the Company will actively investigate and explore the opportunities to kick-off the proposed spin-off again.

Future business development

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

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

On 10 March 2017, the Company entered into an investment agreement ("Investment Agreement") with Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), pursuant to which each of the Company and Septwolves Invest have agreed to subscribe for certain shares of Modern Digital Holdings Limited ("MDHL"), a wholly-owned subsidiary of the Company. The Company is of the view that, apart from providing an immediate funding and increasing the liquidity of the Group, introducing Septwolves invest, whose ultimate controlling shareholders have the expertise, rich resources and networking, as a strategic shareholder of MDHL would optimize sales network of MDHL, and assist MDHL in developing and strengthening its long-term business development by leveraging on the financial strength and extensive business networks of Septwolves Invest (and its associated corporations). For further details of the investment, please refer to the announcement of the Company dated 10 March 2017, 22 March 2017, 4 August 2017 and 13 July 2018, respectively. Pursuant to the Investment Agreement, the Company has undertaken to Septwolves Invest that the expected revenue after tax of MDHL and its subsidiaries (collectively, "MDHL Group") for each the three financial years ending 31 December 2017, 2018 and 2019 will be no less than HK$140 million, HK$162 million, and HK$186 million, respectively; if MDHL fails to achieve the above expected annual performance, Septwolves Invest shall be entitled, on or before 30 April 2020, to require the Company to acquire all shares in MDHL then held by Septwolves Invest. Based on the audited consolidated financial statements of MDHL Group, its revenue after tax for FY2018 amounted to approximately RMB153.7 million (equivalent to approximately HK$182.1 million). As the revenue after tax of MDHL Group for FY2018 was in excess of HK$162 million, the expected annual performance for such financial year as provided under the Investment Agreement was fulfilled.

On 1 December 2017, the Company entered into an investment agreement with Xiamen Feibo Technology Limited ("Xiamen Feibo"), pursuant to which each of the Company and Xiamen Feibo have agreed to subscribe for certain shares of Shanghai Xinxuefen Cultural Media Company Limited ("SXCMCL"), a wholly-owned subsidiary of the Company. The Company is of the view that, apart from providing an immediate funding and increasing the liquidity of the Group, introducing Xiamen Feibo, whose ultimate controlling shareholders have the expertise, rich resources and networking, as a strategic shareholder of SXCMCL would optimize sales network of SXCMCL and assist SXCMCL in developing and strengthening its long-term business development by leveraging on the financial strength and extensive business networks of Xiamen Feibo (and its associated corporations).

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

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

FINANCIAL RESULTS AND DISTRIBUTABLE RESERVES

The loss of the Group for the year and the state of affairs of the Company and the Group as at 31 December 2018 are set out in the consolidated financial statements on pages 98 to 101 and page 200.

Movements in the reserves of the Company and amounts available for distribution to Shareholders are disclosed in note 38(a) to the consolidated financial statements. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 102.

DIVIDEND POLICY

The Directors considers the main objectives of the Dividend Policy are to provide sustainable returns and a stable dividend payment to Shareholders. The basic policy is to pay interim and final dividends in each financial year.

Under the applicable laws of the Cayman Islands and the Articles of Association of the Company, all of the Shareholders have equal rights to dividends and distributions, The Board determines the interim dividend and recommends the final dividend which requires the approval of Shareholders. In addition to cash, dividends may be distributed in the form of shares. Any distribution of shares also requires the approval of Shareholders.

Retained surplus is used to achieve further gains in corporate value. For this purpose, the Board makes effective use of retained surplus to strengthen the operating base and fund growth of established businesses and the development of new businesses.

The Board takes into account the following factors when considering the declaration and payment of dividends:

- liquidity position of the Company;
- financial results;
- shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;

- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Company will not declare any dividend(s) where:

- there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due;
- pursuant to dividend decision date, the Company is insolvent or bankrupt or where, as a result of paying dividends, the Company would be rendered insolvent or bankrupt; or
- there is any other case set forth by any law.

DIVIDEND

The Directors do not recommend the payment of a final dividend (2017: Nil) for the year ended 31 December 2018.

SHARE CAPITAL

There was no movement in the Company's share capital during the year.

FIXED ASSETS

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

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 17.5% and 7.4% of the Group's total purchases for the year ended 31 December 2018 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 40.6% and 12.3% of the Group's total sales for the year ended 31 December 2018 respectively.

As far as the Directors are aware, neither the Directors, their associates, nor shareholders who own more than 5% of the Company's share capital as at 31 December 2018 had any interest in any of the five largest suppliers and customers disclosed above.

FIVE YEAR SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 204.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Executive Directors
Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain

Independent Non-executive Directors
Mr. Wang Shi
Mr. Jiang Nanchun
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the Directors and chief executive of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") or as otherwise notified to the Company:

Long Positions in the Company

Name of Director	Company/Name of Group member	Capacity/Nature of interest	Number of ordinary shares of the Company held	Approximate % of issued
Shao Zhong ("Mr. Shao")	The Company	Beneficial owner	286,684,000	65.40%
Mok Chun Ho, Neil	The Company	Beneficial owner	1,954,000	0.45%
Yang Ying	The Company	Beneficial owner	110,000	0.03%
Deroche Alain	The Company	Beneficial owner	94,000	0.02%

Long Positions in the associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
Mr. Shao	北京現代雅格廣告有限公司 (Beijing Modern Yage Advertising Co., Ltd.*, "Beijing Yage")	Interest of controlled corporations *(Note 2)*	100%
Mr. Shao	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*, "Beijing Yage Zhimei")	Interest of controlled corporations *(Note 3)*	100%
Mr. Shao	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*, "Guangzhou Modern Information")	Beneficial owner	100%
Mr. Shao	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.*, "Guangzhou Modern Books")	Beneficial owner	90%
Mr. Shao	Guangzhou Modern Books	Interest of controlled corporations *(Note 4)*	10%
Mr. Shao	上海格致廣告有限公司 (Shanghai Gezhi Advertising Co., Ltd.*, "Shanghai Gezhi")	Interest of controlled corporations *(Note 5)*	100%
Mr. Shao	上海雅格廣告有限公司 (Shanghai Yage Advertising Co., Ltd.*, "Shanghai Yage")	Interest of controlled corporations *(Note 6)*	100%
Mr. Shao	深圳雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*, "Shenzhen Yage Zhimei")	Interest of controlled corporations *(Note 7)*	100%
Mr. Shao	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*, "Zhuhai Modern Zhimei")	Interest of controlled corporations *(Note 8)*	100%
Mr. Shao	珠海銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu")	Beneficial owner	90%
Mr. Shao	Zhuhai Yinhu	Interest of controlled corporations *(Note 9)*	10%
Mr. Shao	廣州摩登視頻傳媒有限公司 (Guangzhou Modern Video Media Co., Ltd.*, "Guangzhou Modern Video")	Interest of controlled corporations *(Note 10)*	100%
Mr. Shao	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited.*, "Guangzhou Xiandai")	Interest of controlled corporations *(Note 11)*	100%
Mr. Shao	上海森音信息技術廣告有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Interest of controlled corporations *(Note 12)*	100%

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

Notes:

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

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

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

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

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

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

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

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

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

10. Guangzhou Modern Video is held as to 100% by Guangzhou Mobile Digital. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Video held by Guangzhou Mobile Digital of which is Mr. Shao's controlled corporation.

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

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

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 December 2018, the Company had been notified of the following shareholder other than Directors having interests in shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at 31 December 2018
Madam Zhou Shao-min *(Note 1)*	Interest of spouse	286,684,000	65.40%
FIL Investment Management (Hong Kong) Limited *(Note 2)*	Beneficial owner	34,572,000	7.89%
FIL Asia Holdings Pte Limited *(Note 2)*	Interest of corporation controlled by the substantial shareholder	34,572,000	7.89%
FIL Limited *(Note 2)*	Interest of corporation controlled by the substantial shareholder	34,572,000	7.89%
Pandanus Partners L.P. *(Note 2)*	Interest of corporation controlled by the substantial shareholder	34,572,000	7.89%
Pandanus Associates Inc. *(Note 2)*	Interest of corporation controlled by the substantial shareholder	34,572,000	7.89%
United Achievement Limited *(Note 3)*	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%
Warburg Pincus X, LLC *(Note 3)*	Interest of corporation controlled by the substantial shareholder	25,020,000	5.71%

Notes:

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

2. According to the corporate substantial shareholder notices of Pandanus Associates Inc. and Pandanus Partners L.P. both dated 13 November 2018, FIL Investment Management (Hong Kong) Limited is 100% controlled by FIL Asia Holdings Pte Limited, FIL Asia Holdings Pte Limited is in turn 100% controlled by FIL Limited, FIL Limited is in turn 37.51% controlled by Pandanus Partners L.P. and ultimately Pandanus Partners L.P is 100% controlled by Pandanus Associates Inc.. For the purpose of the SFO, each of Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited is deemed to be interested in the shares beneficially owned by FIL Investment Management (Hong Kong) Limited.

3. According to the corporate substantial shareholder notice of Warburg Pincus & Co. dated 23 May 2011, United Achievement Limited is 96.9% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly and indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by United Achievement Limited.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the Awards made up to 31 December 2018 are set out in note 24(a) to the consolidated financial statements of this Annual Report on page 183.

SHARE OPTION SCHEME

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 year. No share option was outstanding under the Scheme as at 31 December 2018.

Purpose and its participants

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

Total number of Shares available for issue

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "Issued Share Capital") of the Company from time to time. The total number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company as may from time to time adopted by the Company as permitted under the Listing Rules initially shall not in aggregate, exceed 10% of the Issued Share Capital as at the date of adoption of the Scheme (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the Shareholders). As at the date of 2018 Annual Report, the maximum number of Shares that may be granted under the Scheme was 40 million Shares. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting with such participant and his associates abstaining from voting.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year 2018 and no share option was outstanding under the Scheme as at 31 December 2018.

Maximum entitlement of each participant

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

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

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

Minimum period for which an option must be held before being exercised

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

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

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

The basis of determining the exercise price

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

Remaining life

Subject to any earlier termination in accordance with its rules, the Scheme shall remain in force for a period of ten years commencing on 24 August 2009. As at the date of the 2018 Annual Report, the Scheme had a remaining life of slightly less than one year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

None of the Directors (including their spouses and children below 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Investment in online search services held by Mr. Shao Zhong

As at 31 December 2018, Mr. Shao, an Executive Director and the controlling Shareholder, held about 6.4% equity interest in a company (the "Online Search Company") incorporated in Beijing, the PRC. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investments in the said business before the Group's commencement of the mobile digital media business.

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to article 188 of the Articles of Associations of the Company, every Director of the Company is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the financial year ended 31 December 2018.

The Company has taken out and maintained directors' liability insurance throughout the financial year ended 31 December 2018, which provides appropriate cover for the Directors.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the year.

CONNECTED TRANSACTIONS

Certain connected transactions took place during the financial year ended 31 December 2018 and/or subsisted as at 31 December 2018:

Contractual Arrangements

2009 Arrangements

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

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

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

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

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

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

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

2011 Arrangements

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

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

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

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

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

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

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

2015 Arrangements

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

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

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

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

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

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

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

As at 31 December 2018, there were in total 13 operating companies established in the PRC ("OPCOs" and each an "OPCO"), including (i) 9 companies (the "Printed Media OPCOs") which carried on the printed media business, and (ii) 4 companies (the "Digital Media OPCOs") which carried on the digital media business.

The Printed Media OPCOs

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

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

The Digital Media OPCOs

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

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

Except for Linkchic Beijing and Guangzhou Modern Video, which are subsidiaries of Guangzhou Mobile Digital, each of the OPCOs was a party to the Contractual Arrangements.

OPCO's significance and financial contribution to the Group

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

	Significance and contribution to the Group					
	Revenue For the year ended 31 December		Net loss For the year ended 31 December		Total assets As at 31 December	
	2017	2018	2017	2018	2017	2018
Printed Media OPCOs	8.11%	11.11%	62.69%	58.41%	23.59%	26.39%
Digital Media OPCOs	5.07%	8.79%	32.23%	32.52%	13.79%	14.04%

Revenue and assets subject to the Contractual Arrangements

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

	Revenue For the year ended 31 December 2018 RMB'000	Total assets As at 31 December 2018 RMB'000
Printed Media OPCOs	49,864	169,225
Digital Media OPCOs	39,449	90,056

Reasons for using and risks associated with the Contractual Arrangements

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

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

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

Material changes

Save as disclosed above, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2018.

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

Unwinding of the Contractual Arrangements

Up to 31 December 2018, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

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

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

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

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

The Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2018 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the OPCOs has been substantially retained by the relevant subsidiary of the Group; (ii) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) the terms of the transactions are on normal commercial terms and in the ordinary and usual course of business and (iv) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Other Connected Transactions during the year

During the year, the Group has entered into certain related party transactions as disclosed in Note 36 to the consolidated financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

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

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

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

The auditor has confirmed that:

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

b. for transactions involving the provision of goods or services by the Group to the PRC Operational Entities (as defined in the Prospectus), the Target Companies (as defined in the 2011 Announcement) and the Target Subsidiaries (as defined in the 2015 Annual Report), nothing has come to our attention that causes us to believe that the transactions were not, in all material respects, in accordance with the relevant terms of Contractual Arrangements as set out in the Prospectus, the 2011 Announcement and the 2015 Annual Report.

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

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2018, the Group had around 593 employees (2017: 651). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover and the Share Award Scheme adopted by the Company which became effective on 7 December 2009.

The Directors' and Chairman's emoluments are determined by the Remuneration Committee, with reference to their duties, responsibilities and performance and the results of the Group and comparable market statistics, including the prevailing market rate for executives of similar position. The remuneration policy for our senior management members is based on their experience, level of responsibility, length of service and performance.

Details of the Directors' remuneration and individuals with the highest emoluments in the Group are set out in notes 39(a) and 36(d) of the financial statements.

PENSION SCHEME

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

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The other employees are covered by other defined-contribution pension plans sponsored by local government.

There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. The Group's contributions to retirement benefit schemes charged to profit or loss for the year ended 31 December 2018 were RMB26.6 million. Details of the retirement benefits are set out in note 2.20 of the consolidated financial statements.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2018, the Company continued to apply the principles set out in the CG Code as contained in Appendix 14 to the Listing Rules.

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this Annual Report on pages 29 to 43.

AUDIT COMMITTEE

The Company established the Audit Committee with terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The Board has, on 25 December 2015, amended the terms of reference of the Audit Committee to be in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange. The Audit Committee has four members comprising the four Independent Non-executive Directors, namely, Mr. Au-Yeung Kwong Wah, Mr. Wang Shi, Mr. Jiang Nanchun and Dr. Gao Hao.

During the year, the Audit Committee met from time to time to review the Company's draft annual report and accounts, interim report and provided advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The Audit Committee has also reviewed the annual results of the Group for the year ended 31 December 2018. Starting from 2015, the Audit Committee will also perform the duties as stated in the amended terms of reference of the Audit Committee, including reviewing the risk management system of the Group.

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained throughout the year ended 31 December 2018, the amount of public float as required under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

The consolidated financial statements for the year ended 31 December 2018 have been audited by Grant Thornton, who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Grant Thornton as auditors of the Company is to be proposed at the forth coming Annual General Meeting.

On behalf of the Board

Shao Zhong
Chairman

Hong Kong, 22 March 2019

Biographical Details of Directors & Senior Management

DIRECTORS

Mr. SHAO Zhong (邵忠), aged 58, the chairman of the Board, the chief executive officer of the Company and the chief content officer of the Group, who is also the founder of our Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as chairman of the Board and executive Director in July 2009. Mr. Shao was the chief executive officer of the Company from September 2015 to November 2016, and he was again appointed as the chief executive officer with effect from October 2017. Mr. Shao is responsible for the overall corporate strategies, policy-formulating, instilling corporate philosophy as well as strategic planning, development and expansion of the Group's new media businesses. Prior to founding our Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Media Leading Icon at China Media Forum in 2010.

Mr. MOK Chun Ho, Neil (莫峻皓), aged 53, the chief financial officer of our Group responsible for the general financial planning and management of our Group. Mr. Mok joined our Group in March 2003 and was appointed as an executive Director of our Group in July 2009. He obtained his MBA degree from Charles Sturt University in Australia in November 2002 and the Diploma in Accountancy from the Lingnan College of Hong Kong (currently known as Lingnan University) in November 1989. Mr. Mok was admitted as a fellow member of the Hong Kong Institute of Certified Public Accountants and the associate member of the Taxation Institute of Hong Kong and The Hong Kong Institute of Chartered Secretaries in February 2010, April 1999 and May 2011, respectively. Mr. Mok has over 24 years of experience in finance and accounting management through his previous financial positions with several listed and private companies in Hong Kong.

Ms. YANG Ying (楊瑩), aged 43, was appointed as an executive Director with effect from 1 September 2015. Ms. Yang was graduated in Shanghai Foreign Trade College (上海對外貿易學院) in July 1999, majored in Foreign Trade Economy and obtained her EMBA degree from a course jointly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Yang has more than 19 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Yang worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Yang joined the Group as Marketing Director of its Shanghai Office and further on promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Yang joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August, 2009, Ms. Yang rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Mr. LI Jian (李劍), aged 43, was appointed as an executive Director with effect from 1 September 2015. Mr. Li joined the Group in September 2011 as the deputy publisher for "Bloomberg Businessweek 商業周刊中文版／China" and deputy general manager of the Group's operations in the Beijing region. He was promoted, on 2 September 2012 and in February 2013 respectively, to the general manager of the Beijing region and the publisher for "Bloomberg Businessweek 商業周刊中文版／China", "Bloomberg Businessweek 商業周刊中文版" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek 商業周刊中文版". Prior to joining the Group, he had served in two international media companies and held various senior positions, such as the publisher for a number of media. Mr. Li was a pioneer in the digital publication and visual media industries and has accumulated 15 years of working experience in the media field. In the earlier years, Mr. Li had worked for internationally well-known consulting agencies. Mr. Li has gained extensive experience in cross-media operations from international media groups over the years, which will facilitate the Group in exploring and integrating cross-media platforms that will contribute to the development of business. He graduated from John Molson Business School, Concordia University of Canada with a bachelor's degree in Business in 2000.

Mr. Alain DEROCHE, aged 57, was appointed as an executive Director with effect from 1 June 2016. Mr. Deroche joined our Group in June 2008 as vice president and publishing director of the Group and has since been responsible for the management of our Group's international copyright business and the planning and content innovation for our Group's printed publications. Before his appointment as an executive Director, Mr. Deroche was the publishing director of two of our Group's international titles, namely "Numero" and "The Good Life", and was also the co-publisher of "IDEAT". Mr. Deroche has extensive experience in international media management of the international media industry. Prior to joining our Group, Mr. Deroche was employed by Hachette Filipacchi Associes, a publishing house in France from September 1989 to June 2008. Immediately before he left the said entity, Mr. Deroche served as the general manager in charge of the publication in the PRC. He was also the publishing director for ELLE's international edition from 1999 to 2005. Mr. Deroche obtained his postgraduate degree in international business administration from Université de Paris-Dauphine (English translation: Paris Dauphine University) of France in October 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shi (王石), aged 68, was appointed as the independent non-executive Director in August 2009. Mr. Wang has over 20 years of experience in real estate development in the PRC. Mr. Wang was the founder of China Vanke Co., Ltd. which was listed on the Shenzhen Stock Exchange starting from 1991. He acted as its general manager from 1988 to 1999, and he also acted as its chairman from 1988 till 2017 and now is its honorary chairman. Mr. Wang obtained his bachelor's degree in water supply studies from Lanzhou Jiaotong University in China in September 1977.

Mr. JIANG Nanchun (江南春), aged 46, was appointed as the independent non-executive Director on in August 2009. Mr. Jiang has over 20 years of experience in the media and advertising industries in the PRC. He held the office of chief executive officer of Everease Advertising Corporation, which is one of the top 50 advertising agencies in China, from 1994 to 2003. In May 2003, Mr. Jiang became the general manager of Focus Media Advertisement. He also founded Focus Media Holding Limited ("Focus Media") (a company which is listed on the Shenzhen Stock Exchange) and served as its chairman of the board of directors. Mr. Jiang obtained his bachelor's degree in Chinese language and literature from East China Normal University in China in 1995.

Mr. AU-YEUNG Kwong Wah (歐陽廣華), aged 54, was appointed as the independent non-executive Director in August 2009. Mr. Au-Yeung obtained a bachelor's degree in commerce from The Bond University in Australia in September 1996, a master's degree in accountancy from The Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University in December 2005 and an EMBA degree from The Chinese University of Hong Kong in December 2008. Mr. Au-Yeung is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. Au-Yeung was appointed as the executive director of China Lumena New Materials Corp. in September 2014 and resigned from his position as executive director in April, 2015.

Dr. GAO Hao (高皓), aged 36, was appointed as the independent non-executive Director in August 2016. Dr. Gao was awarded a bachelor's degree in engineering from Tsinghua University, the PRC, in July 2005 specialising in automation, and also a bachelor's degree in economics from Peking University, the PRC, in July 2007, respectively. Dr. Gao was further awarded a Ph.D. degree in management from Tsinghua University, the PRC, in June 2012 specialising in management science and engineering. Dr. Gao was the chief editor of《家族企業治理叢書》and《家族財富傳承叢書》published by People's Oriental Publishing & Media Co., Ltd. (The Oriental Press) (人民東方出版傳媒有限公司(東方出版社)) since January 2011 to June 2016. Dr. Gao is currently the head of the Global Family Business Research Center of Tsinghua University PBC School of Finance (清華大學五道口金融學院).

SENIOR MANAGEMENT

Ms. ZHONG Yuanhong (鍾遠紅), aged 47, the administration and production controller of our Group. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 years. Ms. Zhong completed her secondary education in Guangzhou No. 62 middle school in June 1989. She has over 20 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

Mr. LIM Timothy Edward (林添靈), aged 44, joined our Group in February 2006 and is the fashion director of our Group responsible for the planning and development of the fashion aspects of the Magazines. Prior to joining our Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, Marie Claire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 19 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Ms. MA Li (馬驪), aged 36, joined our Group in November 2009 and now is the finance and controlling director of the Group, responsible for the financial planning and analysis of the Group and all media business units. Apart from financial management, she is also responsible for internal controls and policy management for the Group. Prior to joining the Group, she had worked for PricewaterhouseCoopers as the senior auditor for over 5 years. She obtained her bachelor of management and bachelor of finance from Shanghai University of Finance and Economics. She is the member of The Institute of Internal Auditors and has over 10 years experience in finance and control management.

Ms. ZHANG Kui (張葵), aged 47, the national finance director of the Group, Ms. Zhang joined our Group in March 2005, she is responsible for establishing the group's financial management accounting system, formulate financial system, and is responsible for the financial accounting for the group, and the formulation and implementation of tax planning. Before joining the group, Ms. Zhang worked for domestic large state-owned enterprises, responsible for the financial work in the state-owned enterprises for more than 10 years, she has rich experience in finance management and tax planning. Ms. Zhang graduated from Jinan university with a bachelor's degree in management, she is a senior accountant, certified tax agent and obtained management institute of occupational qualification registered in China. She has more than 20 years of experience in the financial and tax management.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

This report is the third "Environmental, Social and Governance Report" published by the Group. This report allows stakeholders to have better understandings about the progress and direction of the Group's sustainable development through reporting the policies, measures and performance in terms of environmental, social and governance aspects. This report has been prepared in both Chinese and English.

SCOPE OF THE REPORT

This report is about the performance of the Group in terms of environmental, social and governance aspects for the financial year from 1 January 2018 to 31 December 2018. To continuously expand the scope of the report, this year the Group has also added in the scope the "Modern Space", a Shanghai-based cultural creative space project, in addition to focusing on Modern Media's related operations of its "print media and art" business at headquarters in Hong Kong and offices in Shanghai. In the future, the Group will continuously improve its internal data collection procedures and gradually expand the scope of disclosure.

REPORTING STANDARDS

This report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 of the Listing Rules, which is prepared on the basis of four reporting principles – Materiality, Quantitative, Balance and Consistency.

To allows stakeholders to have better understandings about the performance of the Group in terms of environmental, social and governance aspects, this report complies with the "comply or explain" requirement to disclose the environmental key performance indicators. In addition, the report also includes individual social key performance indicators in the "Recommended Disclosures" of the Guide.

CONFIRMATION AND APPROVAL

The Group has established its internal monitoring and formal review procedures to ensure that the information presented in this report is accurate and reliable. The report was confirmed and approved by the Group's Board on 15 April 2019.

FEEDBACK

The Group values the opinions of stakeholders. If you have any questions or suggestions about the content or reporting form of this report, you are welcome to contact the Group through the following methods:

Address: 7th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong
Tel: (852) 2250 9188
Email: hk@modernmedia.com.hk
Fax: (852) 2891 9719

MESSAGE FROM THE DIRECTORS

Information dissemination is able to facilitate the process of educating the public and cultivating the concept of citizenship, which has a positive impact on promoting social development. The trend of sustainable development has swept across the world and even represents the direction of China's future social development. Cities play a pivotal role in the realization of sustainable development in the world and are the main service targets of the Group.

The Group has an Environmental, Social and Governance Committee, which is responsible for formulating and reviewing principles and policies related to environmental protection, corporate social responsibility and corporate governance, and for monitoring emerging issues with respect to sustainable development. The Committee regularly reports the progress of its work to the Board of Directors to ensure that the Board of Directors is aware of the Group's compliance and progress. Consistent with last year, the Group's major environmental and social issues during the reporting period remain as talent recruitment, employee development and training, supply chain management and product responsibility. The management understands the potential impact of these issues on the business and has formulated relevant management measures for in case.

Communication with stakeholders is an important part of the Group's sustainable development effort. The Group has engaged sustainable development consultants to communicate with stakeholders to gain a better understanding of their expectations and opinions on the Group, which will serve as the basis and motivation for the Group to improve its performance in the future. Their input also helps the Group identify substantive sustainable development issues. In the future, the Group plans to expand the scale of the communication with stakeholders to embrace more opinions and increase governance transparency.

In the future, the Group will work with stakeholders to promote the green development of cities, continue to provide top-notch reading experience with an innovative and flexible attitude, and improve the living standard of readers. The Group will continue to focus on information dissemination, enhance the public's awareness of sustainable development, and work together with the society towards a green future.

Shao Zhong
Chairman of the Board of Directors
Modern Media Holdings Limited

ENVIRONMENT, SOCIETY AND GOVERNANCE

The Group has established the ESG Committee in 2016 to take full responsibility for the Group's environmental, social and governance issues. The ESG Committee is responsible for the formulation and implementation of the Group's relevant strategies, target setting and implementation. It holds a regular meeting every year to discuss relevant issues and reports regularly to the Board of Directors.

RISK MANAGEMENT

As an important part of achieving sound corporate governance, the Group attaches importance to strengthening the effectiveness of risk management. Modern Media has set up an internal control system covering finance, operations, compliance and risk management. The management is responsible for identifying and evaluating the risks faced by the Group, and designing, applying and monitoring an effective internal control system; meanwhile, the Board of Directors is responsible for reviewing the internal control system and its effectiveness every year.

Looking ahead, the Group will consider including environmental, social and governance aspects in risk management to identify the Group's risks in such areas and improve its environmental, social and governance performance.

COMMUNICATION WITH THE STAKEHOLDERS

The Group attaches importance to the daily participation of stakeholders[1] and hopes to establish a mutual trust relationship through communication with stakeholders. The communication with stakeholders can not only enable stakeholders to understand the development and operation policies of the Group, but also provide a platform for the Group to listen to their opinions, examine the potential risks and business opportunities of the Group in sustainable development, so as to further identify the priorities of different issues and formulate corresponding policies and measures.

Major Methods of Communication with the Stakeholders during the Reporting Period

Internal Stakeholders	External Stakeholders
Directors, the management, executive officers and staff	Shareholders, customers, suppliers, government authorities and investors

1. "Stakeholders", also known as "interested parties" or "interests holders", refer to groups and individuals that have a significant impact on the business of an enterprise or may be affected by such business, including internal board of directors, the management, administrative staff and general staff, as well as external shareholders, business partners, customers, governments and regulatory agencies, banks, investors and communities.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(continued)*

Major communication methods

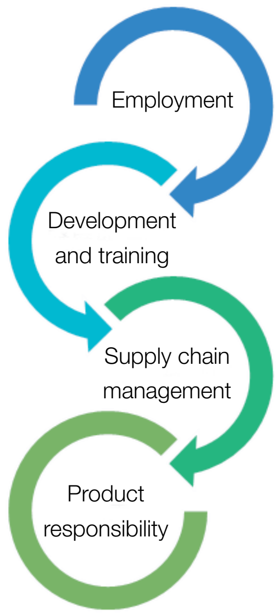
Emails, phones, meetings, interviews, company visits and student internships

IMPORTANCE EVALUATION

In order to formulate the sustainable development strategy and direction of the Group and to identify the environmental and social issues that are crucial to the Group and its stakeholders, Modern Media has engaged a professional consulting firm, Carbon Care Asia, to conduct management interviews. Based on the interviews and the consultants' opinions, the Group has selected four items from the eleven environmental and social areas as listed in the Guide as the key topics for discussion in this report.

CONTINUOUS IMPROVEMENT

Modern Media understands the importance of communication with stakeholders so that it has established channels enabling effective and accurate communications, and provides timely responses. In the future, the Group will strengthen the interaction with stakeholders, explore more diversified channels, increase opportunities for contact with the stakeholders, and to create a mutually beneficial and win-win relationship.



VALUE OUR PEOPLE

Employment

Modern Media attaches high importance to the establishment of an advanced employment system. The formulation of the staff handbook has standardized the management of the Group in terms of remuneration and dismissal, recruitment and promotion, working hours, holidays and equal opportunities of our staff.

The Group values communication with the employees. Should the employees have any opinions on remuneration, welfare or other aspects, they can express their opinions to the management through WeChat group of each operation unit. If the opinions involve complaints, employees can also follow the suggested procedures to file complaints. The management will handle such complaints in a confidential manner. After that, the relevant department will inform the employees who have filed the complaints of the handling results.

With regard to employee benefits, in addition to various existing measures, Modern Media also respects the right of male employees to take maternity leave. The staff handbook stipulates that male employees of the Group are entitled to 15 days of nursing leave provided that they conform to the national family planning policy. During this period, the salary standard shall be implemented in accordance with relevant local policies. At the same time, female employees also enjoy breastfeeding leave during breastfeeding period, which can be arranged in two forms, i.e. going to work later and leaving work earlier, on the basis of the situation of female employees.

In response to the plan in last year's report to reduce staff turnover rate, the Group indicated in the staff handbook that the human resources department will talk with the staff that have already gone through the leaving procedures to understand the reasons for leaving so as to make corresponding improvement measures, such as organising activities for employees to enhance the team cohesion.

Looking ahead, the Group will carry out the formulation of diversified and anti-discrimination policies to further clarify the principles and guidelines for the establishment of a multi-culture and diversified working environment.

The Group abides by relevant laws and regulations, such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, and the Employment Ordinance of Hong Kong. The Group found no employment-related violation during the reporting period.

Development and Training

The Group is concerned about the training of employees' professional skills. The staff handbook stipulates that all employees shall receive training within the first month of their employment. During the reporting period, employee training activities involve getting familiarise with the Group's corporate products, culture and development strategies.

In addition, the Group has set up a mechanism to evaluate the daily performance of employees, and the evaluation results will be used as the basis for determining their future transfer, salary increase and promotion.

Evaluation phase	Evaluation content
Probation period evaluation	Upon the completion of six-month probation period by the new employees, the evaluation form for probation/observation Period will be filled in and submitted to the human resources department for review. Should a "qualified" result is given, the new employees can officially take up their posts.
Daily evaluation	Managers at different levels will make evaluation on the professionalism, experience, work efficiency or professional ethics of employees.
Annual evaluation	The Group will evaluate the annual performance of employees by measuring their key performance indicators, such as sales data of sales personnel or employee satisfaction of managers.

Health and Safety

Modern Media is committed to protecting the health and safety of employees and reducing the risk factors in office space. In order to maintain the public safety of the office space, the Group's staff handbook requires that inflammable and explosive articles are strictly prohibited in offices and other rooms. Meanwhile, during the use of electric appliances, attention should be paid to how to use high-power electrical appliances to avoid the occurrence of fire.

In addition, the psychological health of employees is also the concern of Modern Media. During the reporting period, the Group organized employees to participate in fun games to ease their daily work pressure.

The Group abides by relevant laws and regulations, such as the Production Safety Law of the People's Republic of China, the Occupational Disease Prevention Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China and the Occupational Safety and Health Ordinance of Hong Kong. The Group found no health and safety-related violation during the reporting period.

Labour Standards

Modern Media forbids child labor or forced labor in the workplace, and specifies relevant provisions in the staff handbook.

The staff handbook stipulates that interviewees for any position must be at least 18 years old and have complete certificates in place for inspection. Meanwhile, the Group encourages employees to complete relevant work within working hours. Should employees need to work overtime due to work arrangements, they must fill in the "Overtime Application Form" in advance and submit it to the management for approval. After working overtime, employees can go to work later on the next day or make arrangements for rest according to relevant provisions. In addition, the Group gives employees the right to quit at their discretion and will not unfairly restrict the employment relationship between employees and the Group in any way.

The Group abides by relevant laws and regulations, such as the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and the Employment of Young Persons (Industry) Regulations of Hong Kong. The Group found no violation related to child labor or forced labor during the reporting period.

RESPONSIBLE OPERATION

Supply Chain Management

Modern Media is committed to improve relevant policies of supply chain management, and to select suppliers that meet the requirements of the Group by evaluating their product quality, service level and human resources. Based on the nature of the Group's business, the major service providers are printers, overseas and local copyright providers and content providers, photo suppliers, and different business partners that provide value-added services to the Group.

The Group's Supplier Management Policy stipulates that the administrative department shall be responsible for supplier selection. The selecting process includes:

- Prior to supplier selection, a supplier selection team shall be established and composed of employees from the administrative department and the financial department;
- For different services, the administrative department will select three candidate suppliers after market investigation;
- Qualified suppliers will be selected after their different aspects such as quality level, price level, legal operation and after-sales service are scored;
- After the selection team passes the primary selection result, the administrative department will discuss cooperation matters with qualified suppliers.

In order to carry out more effective management, the Group has formulated a number of measures, such as regular review of the quality of products or services provided by suppliers, and formulation of product acceptance standards, in an effort to control the social risks of the supply chain. In the future, the Group will also improve its management of environmental risks.

Product Responsibility

Quality Management

Since Modern Media is a media communication group, the product quality is heavily influenced by the texts, pictures and layouts of its magazines. To this end, the Group has formulated the "Requirements for Reviewing and Checking Publications at Different Levels" in an effort to reduce the error rate of its products. Therefore, the Group has made the following provisions for relevant departments:

Department name	Responsibility
Review Department	Proofread text contents, such as cover text, publication date, brand name and copyright page
Editorial Department	Adopt three-level review of "editor's first review – chief editor's second review - editor-in-chief's final review" to ensure the quality of articles meets related requirements
Design Department	Design and typeset texts, pictures, etc.
Account Servicing/Marketing Department	Check the advertising content in magazines, including brands of advertisers, company names and other information.

Customer Privacy

Modern Media's staff handbook stipulates that customer information belongs to the trade secrets of the Group and is supervised and managed by the regional managers, human resources department and administrative department. All employees have the obligation to protect the trade secrets. In case of any unauthorized disclosure thereof, the Group reserves the right to pursue the legal and economic responsibilities of the parties concerned.

Intellectual Property Rights

In the process of cooperation with different suppliers, the Group attaches importance to the protection of intellectual property rights. The supplier contract stipulates that both parties shall jointly abide by the relevant national laws and regulations and shall not infringe each other's intellectual property rights. Any breach of contract will result in legal liabilities.

Advertising

The management of the Group has the right to make the final decision on selection of advertisers. Prior to selection of new advertisers, Modern Media will review their qualifications to ensure their compliance with the Group's requirements.

In the future, Modern Media will invest resources to improve policies on various aspects of product responsibility, such as advertising, product labeling and recycling, in order to facilitate the governance level of the Group. The Group abides by relevant laws and regulations, such as the Product Quality Law of the People's Republic of China, the Patent Law of the People's Republic of China and the Consumer Goods Safety Ordinance of Hong Kong. The Group found no product liability-related violation during the reporting period.

Anti-corruption

Modern Media forbids any bribery, blackmailing, fraud, money laundering and other corrupt acts in daily operations. Relevant policies have been incorporated into the Group's staff handbook in an effort to establish an honesty culture by standardizing staff behavior.

During cooperation with other organizations or individuals, the management instructs employees to take the quality of products and services as the basis for cooperation, and shall not give any improper benefits that may affect the decision of the business partners. Meanwhile, employees shall refuse bribery from any business partner, including but not limited to remuneration, gifts or other special treatment. In case of any irregularity, the management will directly transfer the employees suspected of committing crimes to judicial organs. In order to ensure that employees comply with the standards and encourage employees to report dishonest behaviors, the Group has established a reporting procedure to allow employees to report suspected cases directly to the top management.

With respect to a corruption case occurred in 2017, Shanghai Huangpu District People's Court made a judgment according to relevant rules and regulations of the Criminal Law of the People's Republic of China.

The Group abides by relevant laws and regulations, such as the Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Prevention of Bribery Ordinance of Hong Kong and other applicable laws and regulations. The Group found neither corruption-related violation nor any corruption lawsuits in relation to the Group and its employees during the reporting period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(continued)*

CO-CONSTRUCTION OF COMMUNITY

Modern Media held a number of community investment activities covering public welfare, education and environmental protection during the reporting period.

Riding for public welfare

- In order to help the children left behind in remote areas, the Group participated in the City Riding for Public Welfare initiated by the grassroots public welfare organizations in Shanghai during reporting the reporing period to actively raise funds for children in remote areas.

Educational sponsorship

- An Min School is located in Chaoyang District of Beijing and is a school for children of migrant workers. In order to improve the educational level of the school, the Group donated sports and music supplies according to its actual needs. A total of 10 employees participated in the donation.
- In addition, the Group's Hong Kong Headquarters and the Joint Publishing Company jointly organized educational seminars for secondary school students. The total investment was HK$50,000.

Tree planting for environmental protection

- During the reporting period, the Group organized employees to participate in the tree planting activity with the theme of "making the earth green". During the activity, 25 osmanthus trees were successfully planted.

Looking ahead, the Group will invest resources in the formulation of community investment policies to further improve and standardize the Group's community investment direction, investment plan, approval process and other systems.

ENVIRONMENTAL PROTECTION

Emission

Modern Media attaches importance to the management of emissions. The Group has formulated the Energy Conservation and Environmental Protection Management System to reduce the impact of operations on the environment.

Waste Gas Emissions

The Group's air emissions come from vehicle exhaust emissions at various operating units. Modern Media supports the concept of green travel and advocates reduction of vehicle use. When the destination is within three kilometers, employees should consider walking or taking other public transportation. Due to the reduction of vehicle use, related emissions were also lower than those in previous years.

Waste Gas Emissions

	Emissions in 2018 *(kg)*	
Waste Gas Pollutants	**Hong Kong Headquarters**	**Shanghai Office and Modern Space**
Nitrogen oxides	0.7	3.0
Oxysulfide	0.02	1.0
Suspended particles	0.1	0.3

Greenhouse Gas

Modern Media engaged an independent consulting firm, Carbon Care Asia, to conduct a carbon assessment during the reporting period to quantify the greenhouse gas emissions (or "carbon emissions") generated by its operations, the quantification process is carried out with reference to the guideline prepared by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department[2], the guidance issued by the Shanghai Municipal Development and Reform Commission[3] and international standards such as ISO14064–1.

2 Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Deductions from Buildings (Commercial, Residential or Public Use) of Hong Kong

3 Guidance for Accounting and Reporting of Greenhouse Gas Emissions of Shanghai

Greenhouse Gas Emissions

Scope	Hong Kong Headquarters	Shanghai Office and Modern Space	Total
	Emissions in 2018 (tons of CO2 equivalent)		
Scope I-Direct Greenhouse Gas Emissions	4.2	32.2	*36.4*
Scope II-Indirect Energy Greenhouse Gas Emissions	88.0	380.2	*468.2*
Scope III-Other Indirect Greenhouse Gas Emissions[4]	9.1	237.4	*246.5*

The Group's carbon emissions mainly came from outsourced power in Scope II (accounting for about 62%), followed by business travel by air in Scope III (accounting for about 33%). Regarding the major sources of carbon emissions, the Group will continue to evaluate, record and disclose its greenhouse gas emissions and other environmental data annually, and compare with historical data, so as to review the effectiveness of current measures and help further develop emission reduction targets in the future.

Wastes

During the reporting period, the Hong Kong Headquarters and the Shanghai region within the scope of the report respectively generated approximate 0.02 ton and 0.1 ton of hazardous wastes, involving wastes such as waste toner cartridges, waste computer displays, waste batteries and waste cathode fluorescent lamps. All the Group's hazardous wastes were disposed of by qualified companies. The Energy Conservation and Environmental Protection Management System stipulates that the use of lighting equipment and printers should be minimized and mail communication should be encouraged in daily office work. Regarding harmless wastes, within the scope of reporting, the Hong Kong Headquarters and the Shanghai region generated approximate 4.5 tons and 24.5 tons of domestic wastes respectively. For detailed emission data for the reporting period, please refer to the overview of key performance indicators on page 84.

The Group abides by relevant laws and regulations, such as the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China, the Air Pollution Prevention Law of the People's Republic of China, the Waste Disposal Ordinance and the Air Pollution Control Ordinance of Hong Kong. The Group found no emissions-related violation during the reporting period.

USE OF RESOURCES

The Group attaches importance to the rational use of resources in daily operations. To this end, the Group has formulated various measures in the Energy Conservation and Environmental Protection Management System to prevent waste of resources, such as controlling the temperature of air conditioners, reducing the brightness of displays and recycling office consumables.

The resources used by the Group mainly included outsourced power and water for the Hong Kong Headquarters, Shanghai Office and Modern Space.

4 During the reporting period, the emissions generated by the Hong Kong Headquarters under the Scope III included the emissions from discarded paper and paper presswork (a total of approximate 0.5 ton of carbon dioxide equivalent). The emissions generated by the Shanghai Office and the Modern Space under the Scope III only included the emissions caused by employees' business travel by air, and excluded those from discarded paper and paper presswork.

Use of Resources

Use of energy	Hong Kong Headquarters	Shanghai Office and Modern Space
Petrol *(megawatt-hours)*	14.4	124.2
Outsourced power *(megawatt-hours)*	111.5	482.5

Use of water resources	Water consumption *(m^3)*
Total water consumption	1,054

Use of paper	Paper consumption *(kg)*
Total paper consumption	2,067

In the future, the Group will continue to improve its efficiency in the use of resources and gradually set quantitative targets based on the resource consumption during the reporting period.

ENVIRONMENT AND NATURAL RESOURCES

As a media platform, the Group will publish environmental protection-related content in its magazines from time to time in an effort to raise public awareness of environmental protection. In addition, the Group also insists on using FSC-certified paper to print magazines and using degradable plastic bags to reduce the impact of the Group's operations on the environment and natural resources.

FSC certified paper

Forest Stewardship Council ("FSC") is an independent, non-profit and non-governmental organization. Its mission is to promote environmentally responsible, socially beneficial and economically viable forest operation activities. Buying wood products with FSC certification marks can avoid buying products derived from endangered tree species or illegally felled trees, ensuring that the products come from forests that can satisfy the social, economic and ecological needs of present and future generations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT *(continued)*

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

		2018	2017	
A1.1	**Emissions category and related data**			
	Nitrogen oxides	3.7	9.9	kg
	Sulfur oxides	1.02	2.1	kg
	Suspended particles	0.4	0.8	kg
A1.2	**Total emissions of greenhouse gas**			
	total emissions of greenhouse gas	751.3	705.6	t CO2e
	Intensity of greenhouse gas (t CO2e/sq. m)	0.1	0.1	t CO2e/sq. m
A1.3	**Total hazardouswaste[5]**			
	Total hazardous waste produced	0.12	N/A	in tonnes
	Intensity of hazardous waste produced	0.00002	N/A	tonnes/sq. m
A1.4	**Total non-hazardous waste produced[6]**			
	Total non-hazardous waste produced	29.0	50.7	in tonnes
	Intensity of non-hazardous waste produced (tonnes/sq. m)	0.006	0.008	tonnes/sq. m
A2.1	**Total energy consumption**			
	Direct energy consumption	138.6	306.1	MWh
	Indirect energy consumption	594.0	559.9	MWh
	energy consumption in total	732.6	866.0	MWh
	Intensity of energy consumption (MWh/sq. m)	0.1	0.5	MWh/sq. m
A2.2	**Water consumption in total**			
	Water consumption in total[7]	1,054	1,010	cu. m
	Intensity of water consumption (cu. m/sq. m)	0.2	0.2	cu. m/sq. m
A2.5	**Total amount of packaging materials used in finished products**			
	Total amount of packaging materials	0	0	
	Intensity of packaging materials	N/A	N/A	

5 The data of "Modern Space" project is not included.

6 The data of "Modern Space" project is not included.

7 Only includes the water consumption occurred at The Bridge 8 (No. 10&25 Jianguo Middle Road, Huangpu District, Shanghai.)

Social performance

Operation Location	Number of employees by age, gender and rank			Total number of employees	Ratio of male and female employees
Hong Kong Headquarters	Gender	Male	10	33	0.4:1
		Female	23		
	Rank	C-level senior management	3		
		Senior management	9		
		Mid-level management	7		
		General staff	14		
	Age	Aged under 30	9		
		Aged 30–40	14		
		Aged 41–50	7		
		Aged over 50	3		

Operation Location	Number of employees by age, gender and rank			Total number of employees	Ratio of male and female employees
Shanghai Office and the Modern Space	Gender	Male	84	402	0.3:1
		Female	318		
	Rank	C-level senior management	4		
		Senior management	76		
		Mid-level management	62		
		General staff	260		
	Age	Aged under 30	223		
		Aged 30–40	133		
		Aged 41–50	22		
		Aged over 50	24		

Operation Location	Number of new hires by age, gender and region			Total number of new hires	New hire rate
Hong Kong Headquarters	Gender	Male	3	16	48.5%
		Female	13		
	Rank	C-level senior management	0		
		Senior management	2		
		Mid-level management	4		
		General staff	10		
	Age	Aged under 30	9		
		Aged 30–40	3		
		Aged 41–50	4		
		Aged over 50	0		

Operation Location	Number of new hires by age, gender and region			Total number of new hires	New hire rate
Shanghai Office and the Modern Space	Gender	Male	24	130	32.3%
		Female	106		
	Rank	C-level senior management	0		
		Senior management	8		
		Mid-level management	19		
		General staff	103		
	Age	Aged under 30	97		
		Aged 30–40	26		
		Aged 41–50	1		
		Aged over 50	6		

Operation Location	Number of resigned employees by age, gender and region			Total number of resigned employees	Ratio of resigned employees
Hong Kong Headquarters	Gender	Male	5	19	57.6%
		Female	14		
	Rank	C-level senior management	0		
		Senior management	2		
		Mid-level management	6		
		General staff	11		
	Age	Aged under 30	7		
		Aged 30–40	10		
		Aged 41–50	2		
		Aged over 50	0		

Operation Location	Number of resigned employees by age, gender and region			Total number of resigned employees	Rate of resigned employees
Shanghai Office and the Modern Space	Gender	Male	37	162	38.6%
		Female	125		
	Rank	C-level senior management	0		
		Senior management	17		
		Mid-level management	25		
		General staff	120		
	Age	Aged under 30	96		
		Aged 30–40	49		
		Aged 41–50	7		
		Aged over 50	10		

Performance Of Occupational Safety and Health	Total
Number and rate of work-related fatalities	0,0%
Number of work-related injury	1
Number of lost days due to work injury	31

Operation Location[8]	Number of employees receiving training and rank			Number of employee receiving training	Percentage of employee receiving training	Average training hours
Shanghai Office and the Modern Space	Rank	C-level senior management	0	130	32.3%	0.8
		Senior management	8			
		Mid-level management	19			
		General staff	103			

Operation Location[8]	Supplier location	Number of Suppliers
Hong Kong Headquarters	Mainland China	0
	Hong Kong	9
	Overseas	0
Shanghai Office and the Modern Space	China and overseas	1,883

Product quality	Total
Percentage of recalls for safety and health reasons	0%
Number of complaints about products or services	0

8 The training data of Hong Kong Headquarters is not available currently.

INDEX TO THE ESG REPORTING GUIDE

Subject Areas	Description	Page Index/Notes
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste.	81–82
A1.1	The types of emissions and respective emissions data.	84
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	84
A1.3	Total hazardous waste produced (in tonnes)	84
A1.4	Total non-hazardous waste produced (in tonnes)	84
A1.5	Description of measures to mitigate emissions and results achieved.	81–82
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	82
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	82
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility).	84
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	84
A2.3	Description of energy use efficiency initiatives and results achieved.	82–83
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	83
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	84
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	83
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	83

Subject Areas	Description	Page Index/Notes
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	75
B1.1	Total workforce by gender, employment type, age group and geographical region.	85
B1.2	Rate of resigned employees by gender, age group and geographical region.	87
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	76
B2.1	Number and rate of work-related fatalities.	87
B2.2	Lost days due to work injury.	87
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	76
B3 Development and Training		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	76
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	88
B3.2	The average training hours completed per employee by gender and employee category.	88
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	77
B4.1	Description of measures to review employment practices to avoid child and forced labour.	77
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	77
B5.1	Number of suppliers by region	88

Subject Areas	Description	Page Index/Notes
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	78
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	88
B6.2	Number of products and service related complaints received and how they are dealt with.	88
B6.3	Description of practices relating to observing and protecting intellectual property rights.	78
B6.4	Description of quality verification process	78
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	78
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	79
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	79
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	79
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	80
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	80
B8.2	Resources utilized on the focused areas (e.g. money and time)	80

Independent Auditor's Report

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

OPINION

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 98 to 203, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
Impairment assessment on goodwill *Refer to Note 17 to the consolidated financial statements*	
The Group's goodwill arising from business combinations amounted to RMB32,041,000 as at 31 December 2018 and was allocated to the Group's cash generating units ("CGU") identified according to operating segment. Management has tested such goodwill for impairment as at 31 December 2018, and concluded that there is no impairment. This conclusion was based on value-in-use calculations with key assumptions of average annual and long term growth rate of revenue, gross margin and discount rate that required significant management judgement. The impairment test of this asset is considered to be a key audit matter due to the magnitude of the goodwill balance and the significant judgement made by the management in estimating the recoverable amount of the goodwill.	Our procedures in relation to management's impairment assessment included: – Assessing the valuation methodology and the appropriateness of the key assumptions used to estimate the value-in-use; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and – Subjecting the key assumptions to sensitivity analysis.

KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How the matters were addressed in our audit
Impairment assessment of trade receivables *Refer to Note 20 to the consolidated financial statements* As described in the notes to the consolidated financial statements, the impairment losses have been determined in accordance with IFRS 9 Financial Instruments ("IFRS 9"). The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment of trade receivables by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgment by the management and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows from the debtors and forward-looking macroeconomic factors. As at 31 December 2018, the Group had trade receivables amounting to RMB190,217,000. Due to the significance of trade receivables (representing 29.7% of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.	Our procedures in relation to management's impairment assessment included: – Obtaining an understanding of the Group's procedures on credit limits, credit periods given to customers, debt collection and estimate of ECL; – Assessing the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL; – Assessing the reasonableness of the Group's ECL models, including the model input and model design; – Re-computing and testing the trade receivables ageing analysis, on a sample basis, to the source documents; and – Challenging the information used to determine the ECL by considering cash collection performance against historical trends.

Independent Auditor's Report *(continued)*

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2018 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

22 March 2019

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

Year ended 31 December			Year ended 31 December	
2018 HK$'000		Notes	2018 RMB'000	2017* RMB'000
511,370	**Revenue**	5	448,964	435,608
(291,933)	Cost of sales	8	(256,306)	(253,327)
219,437	**Gross profit**		192,658	182,281
3,244	Other income	6	2,848	6,243
1,092	Other gains/(losses) – net	7	959	(1,224)
(122,044)	Distribution expenses	8	(107,150)	(100,440)
(126,931)	Administrative expenses	8	(111,441)	(119,220)
(25,202)	**Operating loss**		(22,126)	(32,360)
144	Finance income		126	195
(4,453)	Finance expenses		(3,910)	(4,311)
(4,309)	**Finance expenses – net**	10	(3,784)	(4,116)
(1,910)	Share of post-tax losses of associates	11(b)	(1,677)	(961)
(255)	Share of post-tax losses of a joint venture	11(b)	(224)	(17)
(4,212)	Impairment loss on interests in associates	11(b)	(3,698)	–
(35,888)	**Loss before income tax**		(31,509)	(37,454)
(3,373)	Income tax expense	12	(2,961)	(2,334)
(39,261)	**Loss for the year**		(34,470)	(39,788)
	Other comprehensive income			
	Items that may be subsequently reclassified to profit or loss			
7,888	Exchange differences on translation of financial statements of overseas subsidiaries		6,925	(9,780)
	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)
(3,303)	Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(2,900)	–
4,585	**Other comprehensive income for the year**		4,025	6,685
(34,676)	**Total comprehensive loss for the year**		(30,445)	(33,103)

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(continued)*

For the year ended 31 December 2018

Year ended 31 December 2018 HK$'000		Notes	Year ended 31 December 2018 RMB'000	Year ended 31 December 2017* RMB'000
	(Loss)/Profit attributable to:			
(39,950)	– Owners of the Company		(35,075)	(38,264)
689	– Non-controlling interests		605	(1,524)
(39,261)			(34,470)	(39,788)
	Total comprehensive (loss)/income attributable to:			
(36,472)	– Owners of the Company		(32,022)	(31,261)
1,796	– Non-controlling interests		1,577	(1,842)
(34,676)			(30,445)	(33,103)
	Loss per share attributable to owners of the Company (expressed in RMB per share)			
(HK$0.0924)	Basic and diluted	13	(RMB0.0811)	(RMB0.0883)

* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.1.1 for details.

The notes on pages 104 to 203 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

As at 31 December 2018 HK$'000		Notes	As at 31 December 2018 RMB'000	2017* RMB'000
	ASSETS AND LIABILITIES			
	Non-current assets			
202,377	Property, plant and equipment	14	177,680	149,734
42,575	Investment properties	15	37,380	36,590
54,736	Intangible assets	16	48,056	47,956
36,495	Goodwill	17	32,041	32,041
3,407	Software development in progress	18	2,991	6,217
4,677	Interests in associates	11(b)	4,106	9,027
314	Interest in a joint venture	11(b)	276	–
3,498	Financial assets at fair value through other comprehensive income	19(a)	3,071	–
–	Available-for-sale financial assets	19(b)	–	5,671
5,962	Prepayments for property, plant and equipment	20	5,234	–
951	Deferred income tax assets	29	835	971
354,992			311,670	288,207
	Current assets			
299,270	Trade and other receivables	20	262,749	273,410
55,693	Inventories	21	48,896	33,188
20,409	Cash and cash equivalents	22	17,918	58,385
375,372			329,563	364,983
	Current liabilities			
65,305	Trade and other payables	26	57,335	65,427
16,980	Contract liabilities	27	14,908	–
10,040	Current income tax liabilities		8,815	8,126
115,161	Borrowings	28	101,108	96,144
207,486			182,166	169,697
167,886	**Net current assets**		147,397	195,286
522,878	**Total assets less current liabilities**		459,067	483,493
	Non-current liabilities			
7,996	Deferred income tax liabilities	29	7,020	6,909
514,882	**Net assets**		452,047	476,584

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2018

As at 31 December 2018 HK$'000		Notes	As at 31 December 2018 RMB'000	As at 31 December 2017* RMB'000
	EQUITY			
	Equity attributable to owners of the Company			
4,389	Share capital	23	3,853	3,853
235,378	Reserves	25	206,653	198,551
214,021	Retained earnings		187,903	227,751
453,788			398,409	430,155
61,094	**Non-controlling interests**		53,638	46,429
514,882	**Total equity**		452,047	476,584

* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.1.1 for details.

The consolidated financial statements on pages 98 to 203 were approved by the Board of Directors on 22 March 2019 and were signed on its behalf.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

The notes on pages 104 to 203 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Notes	Share capital (Note 23) RMB'000	Shares held for Share Award Scheme* (Note 24(a)) RMB'000	Share premium* (Note 25(c)(i)) RMB'000	Other reserves* (Note 25(c)(iv)) RMB'000	Statutory surplus reserves* (Note 25(c)(ii)) RMB'000	Property revaluation reserve* (Note 25(c)(v)) RMB'000	Fair value reserve (non-recycling)* (Note 25(c)(vi)) RMB'000	Translation reserve* (Note 25(c)(iii)) RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2017		3,853	(5,827)	145,302	4,259	49,091	–	–	4,024	271,215	471,917	(404)	471,513
Total comprehensive income/(loss) for the year													
Loss for the year		–	–	–	–	–	–	–	–	(38,264)	(38,264)	(1,524)	(39,788)
Other comprehensive income/(loss) for the year													
Currency translation differences		–	–	–	–	–	–	–	(9,462)	–	(9,462)	(318)	(9,780)
Revaluation surplus upon transfer from property, plant and equipment to investment properties, net of tax		–	–	–	–	–	16,465	–	–	–	16,465	–	16,465
Total comprehensive income/(loss)		–	–	–	–	–	16,465	–	(9,462)	(38,264)	(31,261)	(1,842)	(33,103)
Transactions with owners													
Employees share award scheme	24(a)	–	(982)	–	–	–	–	–	–	–	(982)	–	(982)
– Purchased		–	(1,081)	–	–	–	–	–	–	–	(1,081)	–	(1,081)
– Vested		–	58	–	–	–	–	–	–	–	58	–	58
– Dividends reinvested to the scheme		–	41	–	–	–	–	–	–	–	41	–	41
Dividends paid	25(b)	–	–	–	–	–	–	–	–	(3,894)	(3,894)	–	(3,894)
Appropriation to statutory surplus reserve		–	–	–	–	1,306	–	–	–	(1,306)	–	–	–
Change in equity interest in a subsidiary	33	–	–	–	(5,625)	–	–	–	–	–	(5,625)	48,675	43,050
Total transactions with owners		–	(982)	–	(5,625)	1,306	–	–	–	(5,200)	(10,501)	48,675	38,174
Balance at 31 December 2017**		3,853	(6,809)	145,302	(1,366)	50,397	16,465	–	(5,438)	227,751	430,155	46,429	476,584
Balance at 1 January 2018**		3,853	(6,809)	145,302	(1,366)	50,397	16,465	–	(5,438)	227,751	430,155	46,429	476,584
Impact of initial application of IFRS 9	2.1.1	–	–	–	–	–	–	(750)	–	(3,215)	(3,965)	(143)	(4,108)
Adjusted balance at 1 January 2018		3,853	(6,809)	145,302	(1,366)	50,397	16,465	(750)	(5,438)	224,536	426,190	46,286	472,476
Total comprehensive (loss)/income for the year													
(Loss)/Profit for the year		–	–	–	–	–	–	–	–	(35,075)	(35,075)	605	(34,470)
Other comprehensive income/(loss) for the year													
Currency translation differences		–	–	–	–	–	–	–	5,953	–	5,953	972	6,925
Net movement in fair value reserve (non-recycling)		–	–	–	–	–	–	(2,900)	–	–	(2,900)	–	(2,900)
Total comprehensive (loss)/income		–	–	–	–	–	–	(2,900)	5,953	(35,075)	(32,022)	1,577	(30,445)
Transactions with owners													
Employees share award scheme	24(a)												
– Vested		–	16	–	–	–	–	–	–	–	16	–	16
Appropriation to statutory surplus reserve		–	–	–	–	1,558	–	–	–	(1,558)	–	–	–
Capital injection from non-controlling interests	11(a)	–	–	–	4,225	–	–	–	–	–	4,225	5,775	10,000
Total transactions with owners		–	16	–	4,225	1,558	–	–	–	(1,558)	4,241	5,775	10,016
Balance at 31 December 2018		3,853	(6,793)	145,302	2,859	51,955	16,465	(3,650)	515	187,903	398,409	53,638	452,047

* These reserves accounts comprise the Group's reserves of RMB206,653,000 (2017: RMB198,551,000) in the consolidated statement of financial position as at 31 December 2018.

** The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.1.1 for details.

The notes on pages 104 to 203 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

Year ended 31 December 2018 HK$'000		Notes	Year ended 31 December 2018 RMB'000	2017* RMB'000
	Cash flow from operating activities			
6,870	Cash generated from operations	30(a)	6,031	7,163
(2,379)	Income tax paid		(2,088)	(2,635)
4,491	**Net cash generated from operating activities**		3,943	4,528
	Cash flow from investing activities			
144	Interests received	10	126	195
(40,931)	Purchase of property, plant and equipment	14	(35,936)	(14,512)
352	Proceeds from disposal of property, plant and equipment	30(b)	309	9,105
–	Purchase of intangible assets	16	–	(9,841)
(10,274)	Payments for software development in progress	18	(9,020)	(12,974)
(330)	Advance to an associate	11(b)	(290)	(1,914)
–	Proceeds from disposal of interest in a joint venture	11(b)	–	381
(570)	Payment for interest in a joint venture	11(b)	(500)	–
–	Redemption of commercial bank financial products classified as available-for-sale financial assets		–	21,150
(1,164)	Payment for equity investment		(1,022)	–
(5,962)	Prepayments for property, plant and equipment	20	(5,234)	–
–	Payment for acquisition of a subsidiary, net of cash and cash equivalents acquired	33(b)	–	(2,519)
(58,735)	**Net cash used in investing activities**		(51,567)	(10,929)
	Cash flows from financing activities			
41,577	Proceeds from borrowings		36,503	91,963
(40,362)	Repayments of borrowings		(35,436)	(118,241)
–	Purchase of shares for the Share Award Scheme	24(a)	–	(1,081)
–	Dividends paid to owners of the Company		–	(3,853)
(4,453)	Interests paid	10	(3,910)	(4,311)
–	Proceeds from partial disposal of equity interest in a subsidiary	34	–	43,050
11,390	Capital injection from non-controlling interests	11(a)	10,000	–
8,152	**Net cash generated from financing activities**		7,157	7,527
(46,092)	**Net (decrease)/increase in cash and cash equivalents**		(40,467)	1,126
66,501	Cash and cash equivalents at beginning of year	22	58,385	57,259
20,409	**Cash and cash equivalents at end of year**	22	17,918	58,385

* The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.1.1 for details.

The notes on pages 104 to 203 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

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. 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 (the "Stock Exchange") 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 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 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 (the "Listing Rules").

The financial statements have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through other comprehensive income/available-for-sale financial assets which are stated at fair values. The measurement bases are fully described in the accounting policies below.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

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 2018 is for convenience only and has been made at the rate of HK$1.1390 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HK$ at this or any other rate.

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 print media and 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. The Group has also obtained confirmation from its substantial shareholder and a director of the Company, Mr. Shao Zhong ("Mr. Shao"), that he will provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period. Hence, the directors of the Company concluded the Group has adequate resources to continue as a going concern. Consequently, the consolidated financial statements have been prepared on a going concern basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

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 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
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 IFRS 1	As part of Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 28	As part of Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

(i) Impact on the financial statements

IFRS 9 and IFRS 15 were 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 consolidated statement of financial position on 1 January 2018.

The following table shows 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.

Consolidated statement of financial position (extract)	31 December 2017 As originally presented RMB'000	Impact of initial application of IFRS 9 RMB'000	Impact of initial application of IFRS 15 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
Current liabilities				
Trade and other payables	65,427	–	(16,452)	48,975
Contract liabilities	–	–	16,452	16,452
Equity				
Fair value reserve (non-recycling)	–	(750)	–	(750)
Retained earnings	227,751	(3,215)	–	224,536
Non-controlling interests	46,429	(143)	–	46,286

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

(ii) 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 ("ECL") model for the impairment of financial assets. The new accounting policies are set out in Note 2.11.

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	–	227,751	46,429
Remeasurement of non-trade 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	(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 measured at fair value 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 fair value reserve (non-recycling).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

(ii) IFRS 9 "Financial Instruments" – Impact of adoption *(continued)*

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

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	5,671	–
Reclassification of non-trade 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-trade unlisted equity investments from cost less impairment to fair value	–	(750)
Opening balance as at 1 January 2018 – IFRS 9	–	4,921

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

(ii) IFRS 9 "Financial Instruments" – Impact of adoption *(continued)*

Impairment of financial assets

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

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

	RMB'000
At 31 December 2017 – IAS 39	3,623
Additional provision recognised through opening retained earnings	3,358
Opening balance as at 1 January 2018 – IFRS 9	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.

(iii) 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 2.22 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

(iii) IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption *(continued)*

Summary of effects resulting from adoption of IFRS 15 is as follows:

	Trade and other payables RMB'000	**Contract liabilities** RMB'000
At 31 December 2017 – IAS 18	65,427	–
Reclassification of trade and other payables to contract liabilities	(16,452)	16,452
Opening balance as at 1 January 2018 – IFRS 15	48,975	16,452

Presentation of liabilities related to contracts with customers

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. At the date of initial application of IFRS 15, advances from customers of RMB16,452,000 in respect of contracts with customers previously included in trade and other payables were reclassified to contract liabilities for RMB16,452,000.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
Amendments to IFRSs	References to the Conceptual Framework in IFRSs[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective date not yet determined

5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

IFRS 16 "Leases"

IFRS 16 replaced IAS 17 and three related Interpretations.

As disclosed in Note 2.24, 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 lessor and others 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 lease liability and 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.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by IFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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

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

IFRS 16 "Leases" *(continued)*

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply IFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As disclosed in Note 32(b), as at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB28,864,000 for various buildings, the majority of which is payable either within 1 year or between 1 and 5 years after the reporting date.

Upon the initial application of IFRS 16, the Group plans to measure the rights-of-use assets as if IFRS 16 had always been applied by using the incremental borrowing rate at initial application date.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

Acquisition-related costs are expensed as incurred.

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If those total amounts is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

(c) Disposal of subsidiaries

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

2.2.2 Separate financial statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates

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

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

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss and other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Joint arrangements

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

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

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

2.5 Segment reporting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The 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 consolidated financial statements in RMB, unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

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

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates; and

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Property, plant and equipment

Buildings held for own use comprise the Group's offices in the PRC and Hong Kong. Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 10 years from the date of completion, and the unexpired terms of the leases.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless its fair value cannot be reliably determined at that time.

If an owner-occupied property becomes an investment property, the Group applies the policy stated under "Property, plant and equipment" up to the date of change in use. Any difference at that date between the carrying amount of the property and the fair value is recognised in property revaluation reserve.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

2.9 Intangible assets

(a) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(b) Software and mobile applications

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

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

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

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

Software and mobile applications development costs recognised as assets are amortised over their estimated useful lives.

(c) Other intangible assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(d) Amortisation

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

	Years
Publishing rights	6 to 7 years
Customer relationship	3 to 5 years
Trademark, domain and IT platform	3 to 10 years
Software and mobile applications	3 to 5 years
Others	15 years

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. The Group's intangible assets other than goodwill, property, plant and equipment, interests in associates and joint venture and the Company's interests in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purposes of assessing impairment, the recoverable amount is determined for a CGU. Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on assets other than goodwill is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets

(a) Classification

From 1 January 2018, 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.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(c) Measurement *(continued)*

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. The Group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

- 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 income 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 expense 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(c) Measurement *(continued)*

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 profit or loss as "other income" when the Group's right to receive payments is established.

The equity instruments at fair value through other comprehensive income are not subject to impairment assessment. The cumulative gain or loss in "fair value reserve (non-recycling)" will not be reclassified to profit or loss upon disposal of the equity instruments, and will be transferred to retained earnings.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

(d) Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(d) Impairment *(continued)*

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(d) Impairment *(continued)*

Other financial assets measured at amortised cost (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in Note 3.2(b).

(e) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classifies its financial assets into loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 20 and 22).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(e) Accounting policies applied until 31 December 2017 *(continued)*

Available-for-sale financial assets

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

(i) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

Dividends on available-for-sale equity instruments are recognised in profit or loss as part of "other income" when the Group's right to receive payments is established.

(ii) Impairment

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(e) Accounting policies applied until 31 December 2017 *(continued)*

(ii) Impairment *(continued)*

Assets carried at amortised cost

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

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

Assets classified as available-for-sale

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

2.12 Offsetting financial instruments

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

2.13 Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Cash and cash equivalents

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

2.15 Share capital

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

2.16 Trade and other payables

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

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

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

2.18 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

2.19 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate and in the countries where the Company and its subsidiaries, associates and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax

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

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

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

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

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences

(c) Offsetting

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Employee benefits

(a) Pension obligations

Retirement benefits to employees are provided through defined contribution plans.

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

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The other employees are covered by other defined-contribution pension plans sponsored by local government.

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

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

(c) Bonus entitlements

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

(d) Employee leave entitlements

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

(e) Equity-settled share-based payment

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

(e) Equity-settled share-based payment *(continued)*

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

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

2.21 Provisions and contingent liabilities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition

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 advertising contracts, sale of magazines and periodicals, 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.

(a) **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.

(b) **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.

(c) **Production, event and service income**

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 progress of the specific transaction and assessed on the basis of actual services provided as a proportion of total service to be provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

(d) Sales of artworks and goods

Sales of artworks and goods in retail stores are recognised at a point in time when the control of the artworks and goods is passed to the customers upon delivery.

(e) Revenue from restaurant operation

Revenue from restaurant operation is recognised at a point in time when related services have been rendered to customers.

(f) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

(g) Rental income

Accounting policies for rental income are set out in Note 2.24.

2.23 Government grants

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

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to income is presented in gross under "other income" in profit or loss.

2.24 Operating leases

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

Rental income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.25 Dividend distribution

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

2.26 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

3.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities.

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Financial assets		
Available-for-sale financial assets	–	5,671
Financial assets at fair value through other comprehensive income	3,071	–
Financial assets at amortised cost/Loans and receivables:		
– Trade and other receivables	226,057	237,928
– Cash and cash equivalents	17,918	58,385
	247,046	301,984
Financial liabilities at amortised cost		
Trade and other payables	50,435	41,991
Borrowings	101,108	96,144
	151,543	138,135

3.2 Financial risk factors

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures for the years ended 31 December 2018 and 2017.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in the PRC, Hong Kong and the United Kingdom (the "UK") and majority of the transactions are denominated and settled in RMB, HK$ or Great British Pounds ("GBP"), being the functional currency of the group entities to which the transactions relate. Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2018 and 2017, the Group did not have significant foreign currency risk from its operations.

The Group has not entered into any financial instruments for hedging purpose for the years ended 31 December 2018 and 2017. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

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

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 28.

As at 31 December 2018, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net loss for the year would have been RMB863,000 (2017: RMB863,000) higher/lower as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2018 and 2017 is the carrying amounts as disclosed in Note 3.1. The objective of the Group's measures to manage credit risk is to control potential exposure of recoverability problem.

The Group's deposits and cash are placed with major financial institutions in Hong Kong, Taiwan and the PRC that are of high-credit quality. Therefore, the risk of default is considered to be low and ECL allowance for these deposits are insignificant.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

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

	As at 31 December	
	2018	2017
From the Group's largest customer	13%	12%
From the Group's five largest customers	44%	39%

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

Impairment of financial assets

Effective on 1 January 2018

The Group's trade receivables are subject to the ECL model. While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Impairment of financial assets (continued)

Effective on 1 January 2018 *(continued)*

(i) Trade receivables (continued)

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (upon adoption of IFRS 9) was determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount RMB'000	Lifetime ECL allowance RMB'000	Net carrying amount RMB'000
As at 31 December 2018				
Collective assessment				
– Current	1.3%	109,061	1,418	107,643
– Within 1 year past due	1.6%	81,307	1,301	80,006
– Between 1 and 2 years past due	2.6%	2,133	55	2,078
– Between 2 and 3 years past due	9.6%	542	52	490
– Over 3 years past due	100.0%	636	636	–
Individual assessment	100.0%	3,811	3,811	–
		197,490	7,273	190,217
As at 1 January 2018				
Collective assessment				
– Current	1.3%	106,998	1,391	105,607
– Within 1 year past due	1.5%	82,700	1,241	81,459
– Between 1 and 2 years past due	2.5%	8,921	223	8,698
– Between 2 and 3 years past due	9.8%	183	18	165
– Over 3 years past due	100.0%	485	485	–
Individual assessment	100.0%	3,623	3,623	–
		202,910	6,981	195,929

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Impairment of financial assets (continued)

Effective on 1 January 2018 *(continued)*

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information.

Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. If the credit risk of debt instruments are considered to be high, collateral are required before granting the debts to debtors. In these regards, the credit risk of other receivables are considered to be low. Thus, no loss allowance provision was recognised during the year ended 31 December 2018.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, 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 ECL.

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.

Effective prior to 1 January 2018

In respect of trade and other receivables, the Group established policies in place to ensure that sales of services and products are made to customers with an appropriate credit history and the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. Please refer to Note 20 for the ageing analysis. Management makes periodic collectability assessment as well as individual assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

3.2 Financial risk factors (continued)

(c) Liquidity risk

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

Analysed below is the Group's remaining contractual maturities for its financial liabilities. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the lenders choosing to exercise their rights. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Total contractual undiscounted cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018					
Trade and other payables	50,435	50,435	–	–	–
Borrowings	101,108	101,108	–	–	–
	151,543	151,543	–	–	–
As at 31 December 2017					
Trade and other payables	41,991	41,991	–	–	–
Borrowings	96,144	96,144	–	–	–
	138,135	138,135	–	–	–

Secured borrowings of RMB64,060,000 (2017: RMB63,144,000) with a repayment on demand clause are included in the "less than 1 year" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not consider that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The management believes that the term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The maturity analysis of the Group's financial liabilities by expected repayment dates is summarised as follows. The amounts include interest payments computed using contractual rates.

	Total contractual undiscounted cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2018					
Trade and other payables	50,435	50,435	–	–	–
Borrowings	109,489	69,182	3,313	9,939	27,055
	159,924	119,617	3,313	9,939	27,055
As at 31 December 2017					
Trade and other payables	41,991	41,991	–	–	–
Borrowings	102,573	61,214	3,141	9,424	28,794
	144,564	103,205	3,141	9,424	28,794

3.3 Capital management

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

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

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

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.3 Capital management *(continued)*

The gearing ratios as at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Total borrowings (Note 28)	101,108	96,144
Less: Cash and cash equivalents (Note 22)	(17,918)	(58,385)
Net debt	83,190	37,759
Total equity	452,047	476,584
Total capital	535,237	514,343
Gearing ratio	15.5%	7.3%

The increase in gearing ratio during the year ended 31 December 2018 was mainly due to the decrease in cash and cash equivalents.

3.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2018 and 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).

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.4 Fair value estimation *(continued)*

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2018				
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	3,071	3,071

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 effects of unobservable inputs are not significant for equity investments.

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 31 December	
	2018 RMB'000	2017 RMB'000
Unlisted equity investments		
At 1 January	–	–
Initial application of IFRS 9 (Note 2.1.1)	4,921	–
Acquisition	1,022	–
Losses recognised in other comprehensive income	(2,900)	–
Currency translation differences	28	–
At 31 December	3,071	–

There have been no transfers into or out of level 3 during the year ended 31 December 2018 and 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Estimation uncertainties

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

(a) Impairment assessment of goodwill

The Group tested annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Notes 2.9 and 2.10. The recoverable amounts of CGU have been determined based on value-in-use calculations. These calculations require the use of estimates. In the opinion of the Company's directors, the recoverable amount of the CGU will not be lower than the carrying amount even if a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs. Please refer to Note 17 for detailed information of impairment assessment of goodwill.

(b) Provision for ECL for trade and other receivables

Since the initial adoption of IFRS 9, the Group's management determines the provision for ECL of trade and other receivables on a forward-looking basis and the ECL 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 ECL. 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. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables within the scope of ECL upon application of IFRS 9 and credit losses in the periods in which such estimate has been changed.

Before the adoption of IFRS 9, the Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the required payments. The Group bases the estimates on the ageing of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

Please refer to Notes 3.2(b) and 20 for detailed information of impairment for trade and other receivables.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical accounting judgements

(a) Deferred tax arising from investment properties measured at fair value

There is a rebuttable presumption that the carrying amount of the investment properties that is measured using the fair value model in IAS 40 "Investment Property" will be recovered entirely through sales. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. The management determines the investment properties are recovered through use and details of deferred tax liabilities are set out in Note 29.

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 depreciation, amortisation, finance expenses – net, loss on Step Acquisition, share of post-tax losses of associates and a joint venture, impairment loss on interests in associates, gain on disposal of a joint venture, change in fair value of investment properties 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, interests in associates and a joint venture, financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets), deferred income tax assets, certain other receivables, cash and cash equivalents and corporate and unallocated assets are not considered to be segment assets but rather are managed by the treasury function.

Information about segment liabilities are not regularly reviewed by chief operating decision-makers. Accordingly, segment liability information is not presented.

The Group has two (2017: 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/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.

5. SEGMENT INFORMATION *(continued)*

(a) Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time from external customers in the following major product lines:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Reportable segment:		
– Print media and art	303,103	316,503
– Digital media	154,535	122,080
	457,638	438,583
Revenue derived from other operations:	3,371	8,851
Less: sales taxes and other surcharges	(12,045)	(11,826)
Total	448,964	435,608

	Year ended 31 December
	2018 RMB'000
Types of goods or services:	
– Advertising income	294,464
– Circulation and subscription income	13,691
– Production, event and service income	137,681
– Sales of artworks and goods	256
– Revenue from restaurant operation	1,953
– Rental income	919
	448,964
Timing of revenue recognition under IFRS 15:	
– At a point in time	310,364
– Over time	137,681
	448,045
Rental income	919
	448,964

5. SEGMENT INFORMATION *(continued)*

(a) Revenue *(continued)*

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2018 are as follows:

	As at 31 December 2018 RMB'000
– Within 1 year	1,800
– In second to fifth years	1,600
	3,400

As permitted by IFRS 15, the transaction price allocated to unsatisfied contracts for periods of one year or less is not disclosed.

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2018 and 2017 were set out as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Reportable segment:		
– Print media and art	(20,810)	(22,372)
– Digital media	24,082	10,802
	3,272	(11,570)
Revenue derived from other operations (Note 5(a))	3,371	8,851
Depreciation	(13,089)	(14,592)
Amortisation	(12,565)	(9,303)
Finance expenses – net	(3,784)	(4,116)
Loss on Step Acquisition (Note 33(a))	–	(2,574)
Share of post-tax losses of associates	(1,677)	(961)
Share of post-tax losses of a joint venture	(224)	(17)
Impairment loss on interests in associates	(3,698)	–
Gain on disposal of a joint venture	–	381
Change in fair value of investment properties	790	850
Unallocated head office and corporate expenses	(3,905)	(4,403)
Loss before income tax	(31,509)	(37,454)

5. SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA *(continued)*

	Year ended 31 December 2018		
	Depreciation RMB'000	Amortisation RMB'000	Finance expenses – net RMB'000
Reportable segment:			
– Print media and art	12,527	276	3,801
– Digital media	562	12,289	(17)
	13,089	12,565	3,784

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

5. SEGMENT INFORMATION *(continued)*

(c) Total assets

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Reportable segment:		
– Print media and art	383,020	355,027
– Digital media	128,447	125,555
	511,467	480,582
Corporate and unallocated assets	2,294	2,452
Investment properties	37,380	36,590
Interests in associates	4,106	9,027
Interest in a joint venture	276	–
Available-for-sale financial assets	–	5,671
Financial assets at fair value through other comprehensive income	3,071	–
Deferred income tax assets	835	971
Other receivables	63,886	59,512
Cash and cash equivalents	17,918	58,385
Total assets	641,233	653,190

Additions to non-current segment assets during the year are as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Reportable segment:		
– Print media and art	41,046	13,773
– Digital media	9,144	23,554
	50,190	37,327

5. SEGMENT INFORMATION *(continued)*

(d) Geographic information

The geographic location of the Group's property, plant and equipment, investment properties, intangible assets, goodwill, software development in progress, interests in associates and a joint venture and prepayments for property, plant and equipment ("specified non-current assets") were mainly in the PRC, Hong Kong and the UK as at 31 December 2018 and 2017.

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 and prepayments for property, plant and equipment; (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 by geographical location as at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Hong Kong	110,293	109,919
The PRC	191,626	165,465
The UK	5,845	6,181
	307,764	281,565

Revenue by geographical location for the year ended 31 December 2018 and 2017 was as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
The PRC	401,572	395,492
Hong Kong	39,079	36,704
The UK	8,313	3,412
	448,964	435,608

5. SEGMENT INFORMATION *(continued)*

(d) Geographic information *(continued)*

Revenue from customers which individually contributed over 10% of the Group's revenue for print media and art and digital media segment is as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Customer A	55,036	N/A*
Customer B	N/A*	52,056

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

6. OTHER INCOME

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
PRC government subsidies (i)	2,395	5,851
Others	453	392
	2,848	6,243

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

7. OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Change in fair value of investment properties (Note 15)	790	850
Loss on Step Acquisition (Note 33(a))	–	(2,574)
Gain on disposal of a joint venture (Note 11(b))	–	381
Net gains on disposal of property, plant and equipment (Note 30(b))	95	55
Exchange gains	74	64
	959	(1,224)

8. EXPENSES BY NATURE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Cost of artworks sold	172	773
Employee benefit expenses (Note 9)	153,500	166,679
Advertising production expenses	149,732	139,332
Printing costs of magazines and periodicals	20,409	23,091
Marketing and promotion expenses	46,530	38,999
Office rental costs	22,798	22,078
License fee	23,900	22,545
Office expenses including utility costs	16,173	15,986
Travelling and communication expenses	7,088	7,592
Depreciation of property, plant and equipment (Note 14)	13,201	14,746
Amortisation of intangible assets (Note 16)	12,565	9,303
Professional and consultation expenses	4,806	5,389
Auditor's remuneration:		
– Audit services	1,423	1,318
– Non-audit services	278	295
Stamp duties and other taxes	592	755
ECL allowance recognised (2017: loss allowance) for trade receivables (Note 20)	292	1,123
Professional fees for the Proposed Spin-off (Note 1)	–	2,319
Other expenses	1,438	664
Total cost of sales, distribution and administrative expenses	474,897	472,987

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries, bonus and allowances	134,333	144,699
Retirement scheme contributions	26,570	28,270
Termination benefits	1,601	6,626
Employee share-based compensation	16	58
	162,520	179,653
Less: amount capitalised to software development in progress (Note 18)	(9,020)	(12,974)
	153,500	166,679

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2018 included four (2017: five) directors whose emoluments were reflected in the analysis shown in Note 39. The emoluments payable to the remaining one individual during the year ended 31 December 2018 were as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries and allowances	1,309	–

The emoluments fell within the following bands:

	Year ended 31 December	
	2018	2017
Emolument band: – HK$1,500,001 to HK$2,000,000	1	–

Saved as disclosed in Note 39(a), no director or these highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE EXPENSES – NET

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Finance income:		
– Interest income derived from bank deposits	126	195
Finance expenses:		
– Interest expense on borrowings wholly repayable within 5 years	(3,058)	(3,341)
– Interest expense on borrowings wholly repayable after 5 years	(852)	(970)
	(3,910)	(4,311)
Finance expenses – net	(3,784)	(4,116)

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Subsidiaries

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The Company had indirect interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 December 2018 and 2017 were set out below:

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company as at 31 December 2018	2017	Direct/ Indirect	Principal activities
Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited * (廣州現代移動數碼傳播有限公司)	(ii)	The PRC 23 May 1996	RMB10,000,000	70%#	70%#	Indirect	Provision of digital publishing business
Modern Media Company Limited		Hong Kong 6 May 1998	HK$1,000,000	100%	100%	Indirect	Provision of advertising agency services
Guangzhou Modern Information Media Co., Ltd. * (廣州現代資訊傳播有限公司)	(ii)	The PRC 3 September 1999	RMB60,000,000	100%	100%	Indirect	Publication of magazines in the PRC, provision of advertising agency services, retail sales of imported books and planning of literary arts activities and exhibitions
City Howwhy Limited		Hong Kong 15 May 2000	HK$2	100%	100%	Indirect	Publication of magazines in Hong Kong
Modern Mobile Digital Media Company Limited		Hong Kong 4 December 2000	HK$2	70%#	70%#	Indirect	Provision of digital publishing business
Modern Media (Zhuhai) Technology Co., Ltd. * (現代傳播(珠海)科技有限公司)	(i)	The PRC 13 April 2006	HK$68,000,000	100%	100%	Indirect	Research and development, provision of advertising and consultancy service
Guangzhou Modern Books Co., Ltd. * (廣州現代圖書有限公司)	(ii)	The PRC 24 November 2004	RMB5,010,000	100%	100%	Indirect	Publication of magazines in the PRC, design and selling of advertising spaces
Shanghai Senyin Information Technology Co., Ltd. * (上海森音信息技術有限公司)	(ii)	The PRC 19 October 2005	RMB1,000,000	70%#	70%#	Indirect	Provision of website development business

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

(a) Subsidiaries *(continued)*

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company as at 31 December 2018	2017	Direct/ Indirect	Principal activities
Yazhimei Information Consultation (Shenzhen) Co., Ltd. * (雅致美信息諮詢(深圳)有限公司)	(i)	The PRC 16 August 2007	HK$2,000,000	70%#	70%#	Indirect	Provision of management and consultation services
Linkchic (Beijing) Network Technology Co., Ltd. * (每城美客(北京) 網絡科技有限公司)	(ii)	The PRC 21 July 2010	RMB1,600,000	70%#	70%#	Indirect	Provision of website development business
Shanghai Yizhi Advertising Co., Ltd. * (上海意致廣告有限公司)	(ii)	The PRC 22 February 2012	RMB500,000	70%#	70%#	Indirect	Provision of advertising agency services
Beijing Yazhimei Advertising Co., Ltd. * (北京雅致美廣告有限公司)	(ii)	The PRC 14 January 2013	RMB500,000	70%#	70%#	Indirect	Provision of advertising agency services
Kashi Yazhimei Culture Media Co., Ltd. * (喀什雅致美文化傳播有限公司)	(ii)	The PRC 17 June 2014	RMB30,000,000	100%	100%	Indirect	Provision of advertising agency services
Modern Art International Trading Ltd.		Hong Kong 10 August 2015	HK$1,000,000	100%	100%	Indirect	Artwork trading
Shanghai Play Bear Commerce Co., Ltd. * (上海頑熊商貿有限公司)	(ii)	The PRC 19 January 2015	RMB2,000,000	60%	60%	Indirect	Provision of selling toys and groceries
Beijing Camart Technology Co., Ltd. (北京拍藏科技有限公司) ("Beijing Camart")**	(ii)	The PRC 27 February 2015	RMB1,000,000	70%#	70%# (Note 33(a))	Indirect	Online auction of artworks
Modern Digital Holdings Limited		Cayman Islands 4 February 2015	HK$14,286	70%	70% (Note 34)	Indirect	Investment holding
Shanghai Xinxuefen Culture Media Co., Ltd. * (上海心學分文化傳播有限公司) ("Shanghai Xinxuefen")		The PRC 20 March 2018	RMB10,000,000	65%***	–	Indirect	Publication of magazines in the PRC, provision of advertising agency and event management services

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

(a) Subsidiaries *(continued)*

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

** Pursuant to the shareholding entrustment agreement dated 27 March 2015, Mr. Shao is entrusted as registered shareholder of the investment on behalf of the Group (Note 36(e)).

*** During the year ended 31 December 2018, the Group has established Shanghai Xinxuefen with an independent third party (the "Investor") for which the Group and the Investor injected RMB6,500,000 and RMB10,000,000, respectively, for 65% and 35%, respectively, of the total issued share capital of Shanghai Xinxuefen.

Being subsidiaries of Modern Digital Holdings Limited, please refer to Note 34 for the deemed disposal during the year ended 31 December 2017.

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

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

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

As of the date of these financial statements, the Group does not have direct equity interests in these PRC Operational Entities (as defined in the prospectus of the Company dated 28 August 2009 and the announcement of the Company dated 21 September 2011). However, the Group has implemented a series of Contractual Arrangements (as defined in the prospectus of the Company dated 28 August 2009 and the announcement of the Company dated 21 September 2011) with Mr. Shao and the PRC Operational Entities such that:

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

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

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

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

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

(a) Subsidiaries *(continued)*

Set out below was the summarised financial information, before intragroup eliminations, for Modern Digital Holdings Limited and its subsidiaries, a subgroup with material non-controlling interests (NCI):

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Proportion of ownership interests and voting rights held by the NCI	30%	30%
Current assets	140,911	147,712
Non-current assets	76,496	82,575
Current liabilities	(48,456)	(73,201)
Net assets	168,951	157,086
Carrying amount of NCI	48,616	47,106

	Year ended 31 December 2018 RMB'000	Period from 27 July 2017 to 31 December 2017 RMB'000
Revenue	153,651	124,761
Total expenses	(144,614)	(121,734)
Profit for the year/period	9,037	3,027
Other comprehensive income/(loss) for the year/period	3,584	(2,982)
Total comprehensive income for the year/period	12,621	45
Loss attributable to NCI for the year/period (Note 34)	(681)	(1,251)
Total comprehensive loss attributable to NCI for the year/period (Note 34)	(1,653)	(1,569)
Net cash flows from operating activities	28,628	37,672
Net cash flows used in investing activities	(13,714)	(37,542)
Net cash flows (used in)/from financing activities	(37,479)	15,358
Net (decrease)/increase in cash and cash equivalents	(22,565)	15,488

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

(b) Investments accounted for using the equity method

The amounts recognised in the consolidated statement of financial position were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Carrying amounts of:		
– Associates	4,106	9,027
– A joint venture	276	–
	4,382	9,027

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income were as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Share of losses of:		
– Associates	1,677	961
– A joint venture	224	17
	1,901	978
Impairment losses of associates	3,698	–
	5,599	978

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

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

Interests in associates

	2018 RMB'000	2017 RMB'000
Investment in associates		
At 1 January	6,224	10,027
Share of post-tax losses	(1,677)	(961)
Impairment loss	(2,698)	–
Currency translation differences	25	(268)
Step Acquisition of a subsidiary (Note 33(a))	–	(2,574)
At 31 December	1,874	6,224
Advance to an associate (Note)	3,232	2,803
Less: impairment loss	(1,000)	–
	2,232	2,803
	4,106	9,027

Note: Advance to an associate included in investments in associates is unsecured, interest-free and has no fixed repayment terms. In the opinion of the directors of the Company, the advance in substance formed part of investment in an associate and is therefore shown in the consolidated statement of financial position as non-current.

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

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

Interests in associates *(continued)*

The particulars of the associates of the Group, which are unlisted, were set out as follows:

Company name	Place of business/country of incorporation	Paid-up capital	Attributable equity interests to the Group as at 31 December 2018	2017	Principal activities
Chongqing Yubao Culture Media Co., Ltd. * (重慶渝報文化傳播有限公司) ("Chongqing Yubao")	Chongqing, the PRC	RMB10,000,000	40%	40%	Wholesaling and retailing, provision of advertising, publication and media service
Shanghai Youxian Information Technology Co., Ltd. * (上海友閑信息科技有限公司) ("Shanghai Youxian")	Shanghai, the PRC	RMB1,000,000	20%	20%	Online trading of the second-hand concert or opera tickets
Photo Shanghai Company Limited (映像上海有限公司) ("Photo Shanghai")	Hong Kong	HK$100,000	19%	19%	Provision of photos exhibition service

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

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

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

Interests in associates *(continued)*

The Group retains significant influence over Photo Shanghai through the power to nominate representative on their board.

As at 31 December 2018, impairment tests were performed by comparing the attributable carrying amount of the interests in associates with the respective recoverable amounts. The recoverable amounts were based on estimated discounted cash flow. Impairment loss of RMB3,698,000 (2017: Nil) has been recognised in the consolidated statement of profit or loss and other comprehensive income.

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Current assets:		
– Cash and cash equivalents	165	212
– Other current assets (excluding cash and cash equivalents)	5,400	9,306
Total current assets	5,565	9,518
Current liabilities	(967)	(818)
Non-current assets	87	130
Net assets	4,685	8,830

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

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

Interests in associates *(continued)*

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Revenue	197	453
Cost of sales	(1,112)	(861)
Loss before income tax	(4,145)	(1,576)
Income tax expense	–	–
Loss and total comprehensive loss for the year	(4,145)	(1,576)
Dividend received from associate	–	–

The information of Shanghai Youxian and Photo Shanghai, which are not material associates of the Group is as below:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates	–	2,692
Aggregate amounts of the Group's share of:		
– Loss and total comprehensive loss for the year	(19)	(331)

There was no contingent liability or other commitment relating to the Group's interests in its associates.

The Group has not recognised losses amounting to RMB90,000 (2017: Nil) for the year ended 31 December 2018 for Photo Shanghai. The accumulated losses not recognised were RMB90,000 (2017: Nil) as at 31 December 2018.

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

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

Interest in a joint venture

	2018 RMB'000	2017 RMB'000
Investment in a joint venture		
At 1 January	–	17
Acquisition	500	–
Share of post-tax losses	(224)	(17)
At 31 December	276	–

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

Company name	Place of business/ country of incorporation	Paid-up capital	Attributable equity interests to the Group as at 31 December		Principal activities
			2018	2017	
Shanghai Wanyao Yizhi Cultural Development Co., Ltd. * ("Shanghai Wanyao Yizhi") (上海萬耀意致文化發展有限公司)	Shanghai, the PRC	RMB1,000,000	50%	–	Provision of event management services

* The English translation of the Company name is for reference only. The official name of the company established in the PRC is in Chinese.

Pursuant to a sale and purchase agreement entered into between the Group and a shareholder of 杭州實力文化傳播有限公司 ("Hangzhou Shili") on 26 September 2017, the Group disposed its 49% equity interest of Hangzhou Shili at a consideration of RMB381,000. Compared with the nil carrying amount of investment in a joint venture, a gain on disposal of RMB381,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

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

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

Interest in a joint venture *(continued)*

On 8 February 2018, the Group entered into an agreement with an independent third party in relation to the establishment of Shanghai Wanyao Yizhi. Each party holds as to 50% equity interest of Shanghai Wanyao Yizhi and RMB500,000 was contributed by the Group. The Group accounts for the investment in Shanghai Wanyao Yizhi as a joint venture as the Group has joint control over the operating and financial decisions of Shanghai Wanyao Yizhi.

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

Set out below is the aggregate financial information of the individually immaterial joint venture that is accounted for using the equity method.

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of individually immaterial associates	276	–
Aggregate amounts of the Group's share of:		
– Loss and total comprehensive loss for the year	(224)	(43)

12. INCOME TAX EXPENSE

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Current income tax:		
– Hong Kong profits tax	961	42
– PRC corporate income tax	1,233	2,292
Adjustments in respect of prior years	583	(215)
	2,777	2,119
Deferred income tax (Note 29)	184	215
Income tax expense	2,961	2,334

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Loss before income tax	(31,509)	(37,454)
Tax calculated at statutory tax rate of 25%	(7,877)	(9,364)
Tax effect of:		
– Effect of differential tax rate on income	953	790
– Expenses not deductible for tax purpose	3,624	2,665
– Income not subject to tax	(2,609)	(3,156)
– Utilisation of previously unrecognised tax losses	(2,736)	(53)
– Tax losses for which no deferred tax assets recognised	8,841	9,893
– Income tax on dividends and service charge	921	1,529
– Adjustment in respect of prior years	583	(215)
– Tax effect of associates and joint venture's results and impairment loss	1,400	245
– Tax effect of two-tiered profits tax rates regime	(139)	–
Income tax expense	2,961	2,334

(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.

12. INCOME TAX EXPENSE *(continued)*

(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 assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%.

For the year ended 31 December 2018, Hong Kong profits tax of Modern Media Company Limited is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2017, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profit in Hong Kong.

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

(d) During the year ended 31 December 2018, income not subject to tax mainly represented the net profit of RMB8,771,000 (2017: RMB11,241,000) 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 2018, current income tax on profits for the year included a provision of RMB921,000 (2017: RMB1,529,000) in respect of withholding income tax on (i) dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd. and (ii) services income charged to the Group's PRC subsidiaries.

13. 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 respective years.

	Year ended 31 December	
	2018	2017
Loss attributable to owners of the Company (RMB'000)	(35,075)	(38,264)
Issued ordinary shares as at 1 January (thousands)	438,353	438,353
Weighted average number of shares held for the Share Award Scheme (thousands) (Note 24(a))	(5,680)	(5,024)
Weighted average number of ordinary shares in issue (thousands)	432,673	433,329
Basic loss per share (RMB per share)	(0.0811)	(0.0883)

(b) Diluted loss per share

Diluted loss per share was same as the basic loss per share as there was no dilutive event existed during years ended 31 December 2018 and 2017.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2017						
Cost	154,471	49,919	39,536	32,454	16,709	293,089
Accumulated depreciation	(14,226)	(41,914)	(31,550)	(11,907)	(13,226)	(112,823)
Net book amount	140,245	8,005	7,986	20,547	3,483	180,266
Year ended 31 December 2017						
Opening net book amount	140,245	8,005	7,986	20,547	3,483	180,266
Additions	–	13,100	884	528	–	14,512
Disposals (Note 30(b))	(7,511)	(19)	(289)	(1,231)	–	(9,050)
Depreciation charge (Note 8)	(2,905)	(3,710)	(4,414)	(2,875)	(842)	(14,746)
Transfer to investment properties upon change of use (Note 15)	(13,787)	–	–	–	–	(13,787)
Currency translation differences	(6,278)	(291)	(23)	(760)	(109)	(7,461)
Closing net book amount	109,764	17,085	4,144	16,209	2,532	149,734
At 31 December 2017 and 1 January 2018						
Cost	125,545	62,626	34,763	29,723	16,440	269,097
Accumulated depreciation	(15,781)	(45,541)	(30,619)	(13,514)	(13,908)	(119,363)
Net book amount	109,764	17,085	4,144	16,209	2,532	149,734
Year ended 31 December 2018						
Opening net book amount	109,764	17,085	4,144	16,209	2,532	149,734
Additions	23,636	7,603	1,220	881	2,596	35,936
Disposals (Note 30(b))	–	–	(2)	(41)	(171)	(214)
Depreciation charge (Note 8)	(2,749)	(5,000)	(1,980)	(2,639)	(833)	(13,201)
Currency translation differences	4,383	223	16	728	75	5,425
Closing net book amount	135,034	19,911	3,398	15,138	4,199	177,680
At 31 December 2018						
Cost	153,954	70,629	36,021	31,434	15,669	307,707
Accumulated depreciation	(18,920)	(50,718)	(32,623)	(16,296)	(11,470)	(130,027)
Net book amount	135,034	19,911	3,398	15,138	4,199	177,680

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2018, certain buildings in the PRC and Hong Kong with a carrying amount of RMB84,073,000 (2017: RMB98,812,000) were pledged as collaterals for the Group's bank borrowings, amounted to RMB64,060,000 (2017: RMB73,144,000) (Notes 28(a)).

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Administrative expenses	12,562	12,985
Distribution expenses	240	896
Cost of sales	399	865
	13,201	14,746

15. INVESTMENT PROPERTIES

	2018 RMB'000	2017 RMB'000
Non-current assets – at fair value		
At 1 January	36,590	–
Transfer from property, plant and equipment (Note 14)	–	35,740
Changes in fair value of investment properties recognised in profit or loss	790	850
At 31 December	37,380	36,590

The Group has used presumption that the carrying amount of the investment properties would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment properties using income tax rate.

As at 31 December 2018, buildings in the PRC with a carrying amount of RMB37,380,000 (2017: RMB36,590,000) were pledged as collaterals for the Group's bank borrowings, amounted to RMB23,000,000 (2017: RMB23,000,000) (Notes 28(a)).

15. INVESTMENT PROPERTIES *(continued)*

The Group's investment properties were revalued at 31 December 2018 by independent professionally qualified valuer, DTZ Debenham Tie Leung Shenzhen Valuation Company Limited, who has the recent experience in the location and category of properties being valued. The fair value measurement is based on the properties' highest and best use, which does not differ from their actual use.

The fair value of the Group's investment properties categorised under Level 3 of fair value hierarchy are determined using the direct capitalisation method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate and factors adjustment, and negatively correlated to capitalisation rate.

	Valuation techniques	**Significant unobservable inputs**	**Range As at 31 December**	
			2018	2017
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (RMB/sq.m.)	213–224	204-217
		Capitalisation rate of reversionary income	6.0%–6.5%	6.5%

Relationships of unobservable inputs to fair value are as follows:

- The higher the monthly rental rate per square meter, the higher the fair value.
- The higher the capitalisation rate, the lower the fair value.

There have been no transfer into or out of Level 3 during the year ended 31 December 2018 (2017: nil).

Unrealised gains on changes in fair value of RMB790,000 (2017: RMB850,000) is recognised in the consolidated statement of profit or loss and other comprehensive income for the investment properties held at the end of the reporting period.

16. INTANGIBLE ASSETS

	Publishing rights RMB'000	Customer relationship RMB'000	Trademark, domain and IT platform RMB'000	Software and mobile applications RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017						
Cost	3,000	10,382	7,829	54,353	2,620	78,184
Accumulated amortisation	(3,000)	(10,226)	(4,499)	(25,915)	(1,376)	(45,016)
Net book amount	–	156	3,330	28,438	1,244	33,168
Year ended 31 December 2017						
Opening net book amount	–	156	3,330	28,438	1,244	33,168
Transferred from software development in progress (Note 18)	–	–	–	14,620	–	14,620
Other additions	–	–	6,757	1,264	1,820	9,841
Amortisation charge (Note 8)	–	(156)	(922)	(8,054)	(171)	(9,303)
Currency translation differences	–	–	(238)	(32)	(100)	(370)
Closing net book amount	–	–	8,927	36,236	2,793	47,956
At 31 December 2017 and 1 January 2018						
Cost	3,000	10,382	14,335	68,951	4,320	100,988
Accumulated amortisation	(3,000)	(10,382)	(5,408)	(32,715)	(1,527)	(53,032)
Net book amount	–	–	8,927	36,236	2,793	47,956
Year ended 31 December 2018						
Opening net book amount	–	–	8,927	36,236	2,793	47,956
Transferred from software development in progress (Note 18)	–	–	–	12,246	–	12,246
Amortisation charge (Note 8)	–	–	(1,245)	(10,734)	(586)	(12,565)
Currency translation differences	–	–	326	–	93	419
Closing net book amount	–	–	8,008	37,748	2,300	48,056
At 31 December 2018						
Cost	3,000	10,382	14,705	83,922	4,434	116,443
Accumulated amortisation	(3,000)	(10,382)	(6,697)	(46,174)	(2,134)	(68,387)
Net book amount	–	–	8,008	37,748	2,300	48,056

16. INTANGIBLE ASSETS (continued)

The amortisation of intangible assets has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Administrative expenses	10,972	7,815
Cost of sales	1,593	1,488
	12,565	9,303

17. GOODWILL

	2018 RMB'000	2017 RMB'000
At 1 January	32,041	30,032
Acquisition of a subsidiary (Note 33(b))	–	2,009
At 31 December	32,041	32,041

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Digital media – the PRC	30,032	30,032
Print media and art – the PRC	2,009	2,009
	32,041	32,041

The recoverable amounts of goodwill relating to the digital media and print media and art in the PRC were determined based on value-in-use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Group expected cash flow beyond the five-year period would be similar to that of the fifth year based on existing scale of operation. Cash flows beyond the five-year period were extrapolated using 3% and 3% growth rates for digital media and print media and art respectively.

17. GOODWILL *(continued)*

The key assumptions used for value-in-use calculations as at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
Digital media		
Average annual growth rate of revenue during the next five-year period	21%	25%
Gross margin (% of revenue)	59%	59%
Discount rate	20.6%	19.1%
Long term growth rate	3%	3%
Print media and art		
Average annual growth rate of revenue during the next five-year period	14%	14%
Gross margin (% of revenue)	55%	61%
Discount rate	13.9%	17.3%
Long term growth rate	3%	3%

Management determined budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business. Based on the assessments, no goodwill was impaired as at 31 December 2018 and 2017.

18. SOFTWARE DEVELOPMENT IN PROGRESS

	2018 RMB'000	2017 RMB'000
At 1 January	6,217	7,863
Expenditure incurred on software development	9,020	12,974
Transferred to intangible assets (Note 16)	(12,246)	(14,620)
At 31 December	2,991	6,217

19. OTHER FINANCIAL ASSETS

(a) Financial assets at fair value through other comprehensive income (non-recycling)

Financial assets at fair value through other comprehensive income comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at fair value through other comprehensive income comprise the following individual investments:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Unlisted equity investments at fair value	3,071	–

In the prior financial year, the Group had designated equity investments as available-for-sale financial assets (Note 19(b)) where management intended to hold them for the medium to long-term. Note 2.1.1 explains the change of accounting policy and the reclassification of the equity investments from available-for-sale to financial assets at fair value through other comprehensive income. Note 2.11 sets out the remaining accounting policies.

During the year ended 31 December 2018, the net loss on change in fair value of the investment of RMB2,900,000 was recognised in other comprehensive income.

(b) Financial assets previously classified as available-for-sale financial assets

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Unlisted equity investments, at cost	–	10,671
Less: provision for impairment	–	(5,000)
Unlisted equity investments – net	–	5,671

20. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade receivables (a)		
– Due from third parties	197,490	202,910
Less: ECL allowance (2017: loss allowance) of trade receivables (b)	(7,273)	(3,623)
Trade receivables – net	190,217	199,287
Other receivables:		
– Value-added tax recoverable	18,801	16,341
– Prepayments	23,125	19,141
– Printing deposits	13,880	14,611
– Rental, utility and other deposits	8,417	8,426
– Advances and loans to employees (c)	8,457	9,950
– Amounts due from related parties (c)	–	416
– Others	5,086	5,238
	267,983	273,410
Less non-current portion:		
Prepayments for acquisition of property, plant and equipment	(5,234)	–
	262,749	273,410

As at 31 December 2018 and 2017, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

20. TRADE AND OTHER RECEIVABLES *(continued)*

(a) The ageing analysis of trade receivables, based on invoice dates, before ECL allowance (2017: loss allowance), was as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade receivables, gross		
– Within 30 days	82,837	55,887
– Over 31 days and within 90 days	52,122	71,038
– Over 90 days and within 180 days	35,480	37,147
– Over 180 days	27,051	38,838
	197,490	202,910

The credit period granted to 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 Group applies simplified approach to estimate ECL prescribed in IFRS 9 as disclosed in Note 3.2(b). Movements in ECL allowance (2017: loss allowance) of trade receivables were as follows:

	2018 RMB'000	2017 RMB'000
At 1 January – IAS 39	3,623	2,500
Initial application of IFRS 9	3,358	–
Adjusted balance	6,981	2,500
ECL allowance recognised (2017: Loss allowance) (Note 8)	292	1,123
At 31 December	7,273	3,623

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

20. TRADE AND OTHER RECEIVABLES *(continued)*

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
RMB	238,538	252,150
HK$	21,890	18,954
United States dollar ("USD")	1,164	1,466
Euro ("EUR")	2,063	155
GBP	4,260	18
Others	68	667
	267,983	273,410

21. INVENTORIES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Artworks	48,754	32,809
Other goods	142	379
	48,896	33,188

22. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Cash at bank and in hand	17,918	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.

22. CASH AND CASH EQUIVALENTS *(continued)*

The carrying amounts of the Group's cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
RMB	16,144	51,382
HK$	1,738	6,904
Others	36	99
	17,918	58,385

23. SHARE CAPITAL

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

	Number of shares (thousands)	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.01 each:		
At 31 December 2018 and 2017	8,000,000	80,000

	Number of shares (thousands)	Share capital RMB'000
Ordinary shares, issued and fully paid:		
At 31 December 2018 and 2017	438,353	3,853

24. SHARE-BASED COMPENSATION

(a) Share award scheme

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

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

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

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

During the year ended 31 December 2018, 50,000 shares (2017: 100,000 shares) were awarded to an eligible participant under the Share Award Scheme. These awarded shares were vested immediately and the share based-payment expense of RMB16,000 (2017: RMB58,000) was charged to profit or loss for the year ended 31 December 2018 based on the fair value of shares at grant date.

24. SHARE-BASED COMPENSATION (continued)

(a) Share award scheme (continued)

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

	2018		2017	
	Number of shares held	Value RMB'000	Number of shares held	Value RMB'000
At 1 January	5,697,000	6,809	4,579,000	5,827
Shares purchased during the year	–	–	1,218,000	1,081
Dividend reinvested to the scheme	–	–	–	(41)
Shares vested during the year	(50,000)	(16)	(100,000)	(58)
At 31 December	5,647,000	6,793	5,697,000	6,809

25. RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

(b) Dividends

(i) The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: nil).

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Final dividends in respect of the previous financial year of nil (2017: HK1.00 cent, equivalent to RMB0.89 cents per share)	–	3,894

25. RESERVES AND DIVIDENDS *(continued)*

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

(i) Share premium

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

(ii) Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC of the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit. When the balance of the statutory surplus reserve reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. For the year ended 31 December 2018, RMB1,558,000 (2017: RMB1,306,000) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

(iii) Translation reserve

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

(iv) Other reserves

Other reserves comprise (i) the aggregate amount of paid-in capital of the PRC Operational Entities after elimination of investments in subsidiaries; and (ii) the difference between the consideration paid/received for the acquisition/dilution of non-controlling interests and the carrying amount of non-controlling interests at the transaction date, less the foreign exchange movements on translation of those subsidiaries attributable to the non-controlling interests.

(v) Property revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment properties.

During the year ended 31 December 2017, certain properties of the Group previously held for own use were transferred to investment properties and a revaluation surplus, net of tax, of RMB16,465,000 was credited to property revaluation reserve to account for the difference between the carrying amounts and the fair values of the properties at the date of transfer, determined using direct capitalisation method by independent professional qualified valuer. The property revaluation reserve of the Group is not distributable.

25. RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves on the consolidated statement of changes in equity *(continued)*

(vi) Fair value reserve (non-recycling)

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the "fair value reserve (non-recycling)" within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade payables:		
– Due to third parties (a)	32,298	29,321
Other payables:		
– Advances from customers (Note 27)	–	16,452
– Accrued taxes other than income tax (b)	6,900	6,984
– Accrued expenses	7,446	4,812
– Advertising and promotion expenses payable	3,573	2,692
– Salaries, wages, bonus and benefits payable	1,537	838
– Other liabilities	5,581	4,328
	57,335	65,427

As at 31 December 2018 and 2017, 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.

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Trade payables		
– Within 30 days	15,971	14,747
– Over 31 days and within 90 days	8,357	7,105
– Over 91 days and within 180 days	5,545	2,488
– Over 180 days	2,425	4,981
	32,298	29,321

26. TRADE AND OTHER PAYABLES *(continued)*

(b) Accrued taxes other than income tax mainly consisted of value-added tax payables, business tax payables and related surcharges, and individual income tax payables.

(c) As at 31 December 2018 and 2017, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
RMB	48,750	59,521
HK$	3,817	2,820
USD	1,412	671
EUR	823	1,626
GBP	2,426	758
Others	107	31
	57,335	65,427

27. CONTRACT LIABILITIES

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contract liabilities arising from billings in advance of performance	14,908	–

Upon the adoption of IFRS 15, amounts previously included as "Advances from customers" under "Trade and other payables" were reclassified to contract liabilities.

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided.

As at 31 December 2018, the advance payments made by customers amounted to RMB1,600,000 were expected to be recognised as income after more than one year.

27. CONTRACT LIABILITIES *(continued)*

(a) The following table shows the revenue recognised during the year that was included in the contract liability balances at the beginning of the year:

	Year ended 31 December
	2018 RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	13,052

(b) As at 31 December 2018 and 2017, contract liabilities were denominated in the following currencies:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
RMB	14,611	–
HK$	297	–
	14,908	–

28. BORROWINGS

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Current		
– Secured bank borrowings (a)	87,060	96,144
– Other unsecured borrowings	14,048	–
	101,108	96,144

28. BORROWINGS *(continued)*

(a) As at 31 December 2018, secured bank borrowings of RMB87,060,000 (2017: RMB96,144,000) were secured by certain properties of the Group with carrying amounts of RMB121,453,000 (2017: RMB135,402,000) (Notes 14 & 15), among which RMB23,000,000 (2017: RMB33,000,000) were guaranteed by Mr. Shao.

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
On demand or within 1 year	101,108	96,144

(c) The effective interest rates of the Group's borrowings at the reporting date were as follows:

	As at 31 December			
	2018 Effective interest rate	2018 RMB'000	2017 Effective interest rate	2017 RMB'000
Variable rate borrowings:				
– Secured bank borrowings	6.00%	23,000	6.00%	23,000
Fixed rate borrowings:				
– Secured bank borrowings	3.52%	64,060	3.36%	73,144
– Other unsecured borrowings	5.00%	14,048	–	–
		78,108		73,144
		101,108		96,144

28. BORROWINGS (continued)

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
RMB	23,000	33,000
HK$	78,108	63,144
	101,108	96,144

(e) As at 31 December 2018, the Group has unused facilities of RMB1,756,000 (2017: RMB1,665,000).

29. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated statement of financial position:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Deferred income tax assets	835	971
Deferred income tax liabilities	(7,020)	(6,909)

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

Deferred income tax assets	**Tax losses to be carried forward** RMB'000	**Depreciation in excess of the related depreciation allowances** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2017	–	196	889	1,085
Currency translation differences	(39)	–	–	(39)
Credited/(Charged) to profit or loss	102	(104)	–	(2)
At 31 December 2017 and 1 January 2018	63	92	889	1,044
Currency translation differences	21	–	–	21
(Charged)/Credited to profit or loss	(84)	(92)	12	(164)
At 31 December 2018	–	–	901	901

29. DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

The Group has estimated tax losses arising in Hong Kong of approximately RMB543,000 (2017: RMB2,286,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of approximately RMB88,386,000 (2017: RMB68,932,000) that will expire five years after the relevant accounting year end for offsetting against future taxable profits of the companies in which the losses arose.

In accordance with the accounting policy set out in Note 2.19, the Group has not recognised deferred tax assets arising in Hong Kong of approximately RMB90,000 (2017: RMB377,000) and deferred tax assets arising in the PRC of approximately RMB22,347,000 (2017: RMB17,233,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities.

As at 31 December 2018, the Group has deductible temporary difference in relation to ECL allowance (2017: loss allowance) for trade receivables of RMB3,462,000 (2017: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax liabilities	**Depreciation allowances in excess of the related depreciation** RMB'000	**Revaluation of investment properties** RMB'000	**Total** RMB'000
At 1 January 2017	1,328	–	1,328
Currency translation differences	(47)	–	(47)
Charged to other comprehensive income	–	5,488	5,488
Charged to profit or loss	–	213	213
At 31 December 2017 and 1 January 2018	1,281	5,701	6,982
Currency translation differences	84	–	84
(Credited)/Charged to profit or loss	(178)	198	20
At 31 December 2018	1,187	5,899	7,086

At 31 December 2018, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB34,255,000 (2017: RMB37,153,000). Deferred tax liabilities of approximately RMB1,713,000 (2017: RMB1,858,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested in their operation rather than remitting them to the Company in the foreseeable future.

The Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates enacted or substantively enacted at the end of the reporting periods.

30. CASH GENERATED FROM OPERATIONS

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Loss before income tax	(31,509)	(37,454)
Adjustments for:		
Depreciation of property, plant and equipment (Note 14)	13,201	14,746
Amortisation of intangible assets (Note 16)	12,565	9,303
ECL allowance (2017: Loss allowance) for trade receivables (Note 20)	292	1,123
Finance income (Note 10)	(126)	(195)
Finance expenses (Note 10)	3,910	4,311
Share of losses of associates (Note 11(b))	1,677	961
Share of losses of a joint venture (Note 11(b))	224	17
Impairment loss on interests in associates (Note 11(b))	3,698	–
Net gains on disposal of property, plant and equipment (Note 7)	(95)	(55)
Change in fair value of investment properties (Note 15)	(790)	(850)
Gain on disposal of a joint venture (Note 11(b))	–	(381)
Loss on Step Acquisition (Note 33(a))	–	2,574
Employee share-based compensation	16	58
Changes in working capital:		
Decrease in trade and other receivables	10,606	40,546
Increase in inventories	(13,862)	(7,254)
Increase/(Decrease) in trade and other payables	7,768	(20,287)
Decrease in contract liabilities	(1,544)	–
Cash generated from operations	6,031	7,163

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

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

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Net book amount (Note 14)	214	9,050
Net gains on disposal of property, plant and equipment (Note 7)	95	55
Proceeds from disposal of property, plant and equipment	309	9,105

31. CONTINGENCIES

Save as disclosed in Note 34, the Group had no material contingent liabilities as at 31 December 2018 and 2017.

32. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Contracted but not provided for:		
– Property, plant and equipment	2,286	–

(b) Operating lease commitments

The Group leases various buildings under 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	
	2018 RMB'000	2017 RMB'000
Operating leases expiring:		
– Within 1 year	18,216	22,759
– After 1 year but within 5 years	10,648	27,922
	28,864	50,681

32. COMMITMENTS (continued)

(b) Operating lease commitments (continued)

The Group leases its investment properties (Note 15) under operating lease arrangements an initial period of six years, with an option to renew the lease terms at the expiry date. The future aggregate minimum lease receipts under non-cancellable operating leases were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Operating leases expiring:		
– Within 1 year	2,126	–
– After 1 year but within 5 years	9,407	–
– After 5 years	1,556	–
	13,089	–

(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. The total future minimum payments under non-cancellable licensing agreements were as follows:

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Licensing agreement expiring:		
– Within 1 year	22,182	22,706
– After 1 year but within 5 years	41,941	62,478
– After 5 years	2,828	5,119
	66,951	90,303

33. BUSINESS COMBINATIONS

(a) Step acquisition of a subsidiary in 2017

Pursuant to a sale and purchase agreement entered into between the Group and the other shareholders of 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 profit or loss and other comprehensive income for the year ended 31 December 2017 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.

33. BUSINESS COMBINATIONS *(continued)*

(b) Acquisition of a subsidiary in 2017

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 (Note 17)	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 ended 31 December 2017 was the loss of RMB110,000 attributable to the additional business generated by Shanghai Cafe. Revenue included 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.

34. DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY IN 2017

On 27 July 2017, Modern Digital Holding Limited ("MDHL"), a subsidiary of the Company, has completed the allotment of (i) 428,570 shares to an independent third party, Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), at the subscription price of RMB43,050,000 and (ii) 1 share to a subsidiary of 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 during the year ended 31 December 2017, 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 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 31 December 2018 and 2017 as the Group met the revenue guarantee for the respective years.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	2018 RMB'000	2017 RMB'000
Borrowings		
As at 1 January	96,144	127,205
Cash-flows:		
– Repayments	(35,436)	(118,241)
– Proceeds	36,503	91,963
– Interests paid	(3,910)	(4,311)
Non-cash:		
– Interests accrued	3,910	4,311
– Exchange adjustments	3,897	(4,783)
As at 31 December	101,108	96,144

36. RELATED PARTY TRANSACTIONS

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

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2018 and 2017, and balances arising from related party transactions as at 31 December 2018 and 2017.

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
Mr. Shao	Founder/Controlling Shareholder/Director of the Group
Dr. Cheng Chi Kong	A director of the Company (Resigned on 26 August 2017)

(b) Transactions with related parties

In addition to the transactions and balances disclosed in Note 28, the Group entered into the following related party transactions during the years ended 31 December 2018 and 2017:

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Rental expenses (i)	–	4,606
Advertising income (ii)	–	2,334

(i) This represented rental expenses payable to an entity controlled by a close family member of Dr. Cheng Chi Kong for the lease of office premises in Shanghai. It was charged at a pre-determined rate mutually agreed, which was based on the market rent rates.

(ii) This represented advertising income received from entities controlled by a close family member of Dr. Cheng Chi Kong for certain advertisement placements on the Group's media platforms. It was charged at a pre-determined rate mutually agreed, which was based on the market rates of the related services rendered.

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

	As at 31 December	
	2018 RMB'000	2017 RMB'000
Mr. Shao	–	416

36. RELATED PARTY TRANSACTIONS *(continued)*

(d) Key management compensation

	Year ended 31 December	
	2018 RMB'000	2017 RMB'000
Salaries and allowances	12,926	20,844
Retirement scheme contributions	629	785
Employee share-based compensation	16	–
	13,571	21,629

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

As at 31 December 2018 and 2017, Mr. Shao is entrusted as registered shareholder of certain investments in subsidiaries (Note 11(a)), and available-for-sale financial assets (Note 19(b))/financial assets at fair value through other comprehensive income (Note 19(a)) on behalf of the Group.

37. CONTROLLED SPECIAL PURPOSE ENTITY

There was one special purpose entity controlled by the Company, which operates in Hong Kong, particulars of which are as follows:

Special purposes entity	Principal activities
The Modern Media Employees Share Award Plan ("Modern Media Employee Share Trust") operated under Supremo Investment Inc.	Administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees

The Company controls a special purpose entity, Modern Media Employee Share Trust, which is set up solely for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme (Note 24(a)). As the Company has the power to direct the relevant activities of the Modern Media Employee Share Trust and it has the ability to use its power over the Modern Media Employee Share Trust to affect its exposure to returns, the assets and liabilities of the Modern Media Employee Share Trust were included in the Group's consolidated statement of financial position and the Company's shares held by the Modern Media Employee Share Trust were presented as a deduction in equity as "Shares held for Share Award Scheme".

As at 31 December 2018, the Company had contributed RMB8,805,000 (2017: RMB8,805,000) in the Modern Media Employee Share Trust for shares and the amount was recorded as "Investment in subsidiaries" in the Company's statement of financial position.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2018 HK$'000		Notes	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
	ASSETS AND LIABILITIES			
	Non-current assets			
10,029	Investments in subsidiaries	37	8,805	8,805
	Current assets			
10,201	Other receivables		8,956	8,527
158,131	Amounts due from subsidiaries		138,833	136,375
157	Cash and cash equivalents		138	114
168,489			147,927	145,016
	Current liabilities			
126	Other payables		111	322
11,375	Amounts due to subsidiaries		9,987	7,810
11,501			10,098	8,132
156,988	**Net current assets**		137,829	136,884
167,017	**Total assets less current liabilities**		146,634	145,689
167,017	**Net assets**		146,634	145,689
	EQUITY			
	Equity attributable to owners of the Company			
4,389	Share capital		3,853	3,853
162,628	Reserves	(a)	142,781	141,836
167,017	Total equity		146,634	145,689

The statement of financial position of the Company was approved by the Board of Directors on 22 March 2019 and was signed on its behalf.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(a) Reserve movements of the Company

	Share premium	Translation reserve	Retained earnings/ (Accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	145,302	5,764	4,370	155,436
Dividends paid (Note 25(b))	–	–	(3,894)	(3,894)
Profit for the year	–	–	1,587	1,587
Other comprehensive loss	–	(11,293)	–	(11,293)
As at 31 December 2017 and 1 January 2018	145,302	(5,529)	2,063	141,836
Loss for the year	–	–	(2,675)	(2,675)
Other comprehensive income	–	3,620	–	3,620
As at 31 December 2018	145,302	(1,909)	(612)	142,781

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The total remuneration of directors and the chief executives for the years ended 31 December 2018 and 2017 was set out as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Directors		
Salaries and allowances	9,813	13,083
Directors' fees	739	858
Retirement scheme contributions	354	620
Termination benefits	–	1,826
Employee share-based compensation	16	–
	10,922	16,387

No individual has waived or agreed to waive any emoluments.

39. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executives' emoluments *(continued)*

The remuneration of every director and chief executive for the year ended 31 December 2018 was set out as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Retirement scheme contributions RMB'000	Termination benefits RMB'000	Employee share-based compensation RMB'000	Total RMB'000
Year ended 31 December 2018						
Executive Directors						
Mr. Shao Zhong #	–	3,320	96	–	–	3,416
Mr. Mok Chun Ho, Neil	–	1,587	56	–	16	1,659
Ms. Yang Ying	–	1,800	96	–	–	1,896
Mr. Li Jian	–	1,200	90	–	–	1,290
Mr. Deroche Alain	–	1,906	16	–	–	1,922
Independent non-executive Directors						
Mr. Jiang Nanchun	132	–	–	–	–	132
Mr. Wang Shi	132	–	–	–	–	132
Mr. Au-Yeung Kwong Wah	343	–	–	–	–	343
Dr. Gao Hao	132	–	–	–	–	132
Total	739	9,813	354	–	16	10,922

39. BENEFITS AND INTERESTS OF DIRECTORS (continued)

(a) Directors' and chief executives' emoluments (continued)

The remuneration of every director and chief executive for the year ended 31 December 2017 was set out as follows:

	Fees RMB'000	Salaries and allowances RMB'000	Retirement scheme contributions RMB'000	Termination benefits RMB'000	Employee share-based compensation RMB'000	Total RMB'000
Year ended 31 December 2017						
Executive Directors						
Mr. Shao Zhong #	–	3,295	88	–	–	3,383
Mr. Wong Shing Fat**	–	3,236	114	1,826	–	5,176
Mr. Mok Chun Ho, Neil	–	1,548	55	–	–	1,603
Ms. Yang Ying	–	1,791	179	–	–	1,970
Mr. Li Jian	–	1,105	177	–	–	1,282
Mr. Deroche Alain	–	2,108	7	–	–	2,115
Non-executive Director						
Dr. Cheng Chi Kong*	132	–	–	–	–	132
Independent non-executive Directors						
Mr. Jiang Nanchun	132	–	–	–	–	132
Mr. Wang Shi	132	–	–	–	–	132
Mr. Au-Yeung Kwong Wah	330	–	–	–	–	330
Dr. Gao Hao	132	–	–	–	–	132
Total	858	13,083	620	1,826	–	16,387

Mr. Shao Zhong is also the chief executive officer of the Company since 11 October 2017.

* Dr. Cheng Chi Kong has resigned as a non-executive director of the Group with effect from 26 August 2017.

** Mr. Wong Shing Fat has resigned as an executive director of the Group with effect from 11 October 2017. He was also the chief executive officer of the Company from 1 December 2016 to 11 October 2017. The termination benefits of RMB1,826,000 were paid to Mr. Wong Shing Fat by a subsidiary of the Company in respect of the payment for the loss of office as a director of the Group.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Five Year Financial Summary

RESULTS

	Year ended 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	448,964	435,608	518,926	595,725	603,801
(Loss)/profit before income tax	(31,509)	(37,454)	6,487	25,080	45,254
Income tax expense	(2,961)	(2,334)	(3,474)	(4,489)	(7,461)
(Loss)/profit for the year	(34,470)	(39,788)	3,013	20,591	37,793

ASSETS AND LIABILITIES

	As at 31 December				
	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Total assets	641,233	653,190	692,618	679,744	675,822
Total liabilities	(189,186)	(176,606)	(221,105)	(207,751)	(217,224)
Total equity	452,047	476,584	471,513	471,993	458,598

現代傳播集團
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