INTERIM REPORT 2019

MODERN MEDIA HOLDINGS LIMITED
現代傳播控股有限公司

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

CONTENTS

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
(resigned with effect from 29 May 2019)
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao

AUDIT COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*
Mr. Jiang Nanchun
(resigned with effect from 29 May 2019)
Mr. Wang Shi
Dr. Gao Hao

NOMINATION COMMITTEE

Mr. Wang Shi *(Chairman)*
Mr. Jiang Nanchun
(resigned with effect from 29 May 2019)
Mr. Au-Yeung Kwong Wah
Dr. Gao Hao
(appointed with effect from 29 May 2019)

REMUNERATION COMMITTEE

Mr. Au-Yeung Kwong Wah *(Chairman)*
Mr. Jiang Nanchun
(resigned with effect from 29 May 2019)
Dr. Gao Hao
Mr. Wang Shi
(appointed with effect from 29 May 2019)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Dr. Gao Hao

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Shao Zhong
Mr. Mok Chun Ho, Neil

AUDITOR

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

LEGAL ADVISERS AS TO HONG KONG LAW

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

Corporate Information *(continued)*

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS IN HONG KONG

Bank of China (HK) Limited
Wing Lung Bank Limited

PRINCIPAL BANKERS IN THE PRC

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Link Market Service (Hong Kong) Pty Limited
Suite 1601, 16/F Central Tower
28 Queen's Road
Central, Hong Kong

STOCK CODE

Stock Code: 72

WEBSITE

www.modernmedia.com.cn

Management Discussion and Analysis

RESULT SUMMARY

In the six months ended 30 June 2019 (the "**Interim Period**"), along with the continuous Sino-US trade tensions and the slowdown of economic growth in the People's Republic of China (the "**PRC**"), brand advertisers became cautious on their advertising spending. Modern Media Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") faced various challenges in the transition process towards platform media. Under the tough operating environment as mentioned above, the Group's revenue experienced a decline of approximately 8.5% to RMB177.9 million in the Interim Period as compared with the corresponding period in 2018 (2018: RMB194.3 million), which is mainly due to the decrease in print advertising revenue. However, with effective cost control measures, the net loss in the Interim Period has only increased slightly as compared to the corresponding period in 2018.

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

	Print Media and Art	Digital Media	Total
	RMB'000	RMB'000	RMB'000
2019			
Reportable segment revenue	116,169	63,137	179,306
Reportable segment loss	(32,166)	(1,535)	(33,701)
Segment EBITDA	(16,559)	6,708	(9,851)
2018			
Reportable segment revenue	135,152	61,795	196,947
Reportable segment loss	(28,283)	(788)	(29,071)
Segment EBITDA	(20,303)	5,487	(14,816)

In regard to the segment results, the segment revenue for print media and art in the Interim Period recorded a decline of 14.0% when compared with the corresponding period in 2018, which is mainly due to the stagnancy in print media industry along with the turbulent macroeconomic environment. On the other hand, the "digital media" segment managed to achieve a slight increase in segment revenue of 2.2% in the Interim Period as compared to the corresponding period in 2018, which was benefited from the stable advertising performance contributed by the the Group's Apps. The Group had been leveraging on the economies of scale by operating a number of well-established Apps in 2019. The management of the Group has confidence that digital media will become the main income stream and profit centre in the future. Compared with the same period in 2018, although the Group's revenue declined in the Interim Period, EBITDA in both segments increased as a result of improved operational efficiency.

Management Discussion and Analysis *(continued)*

(A) BUSINESS REVIEW

Print Media and Art

The Group commenced the year 2019 with five weekly/bi-weekly and seven monthly/bi-monthly magazines in the PRC and Hong Kong.

Along with the decline in print media industry, the advertising market of magazine category in China suffered a decrease of 6.1% in the first half of 2019 as compared to the same period last year.

* *Remarks:* advertising information from this paragraph is extracted from Advertising Expenditure Report of First Half of 2019 produced by CTR.

To cope with the tough condition in the aforesaid advertising market of magazine category, our Group had made every effort to achieve a satisfactory performance in the Interim Period. Our flagship magazine, "Modern Weekly", although experienced a decrease in revenue along with the downward trend in print media market, it still ranked No.1 in terms of revenue in weekly magazine market according to audit report by Admango and continued to maintain the irreplaceable position among most of the print media brand advertisers.

Our rebranded magazine, "INSTYLE 優家画報", continued to be one of the favorite women's style magazines in the market. Although it also suffered from the industrial depression, it was still one of the popular choices of those luxury brand advertisers. The reader's club of "INSTYLE 優家画報", "You Jia Hui" (優家薈), has become increasingly attractive to those female elites after running a series of events in several cities in the PRC. The number of members of "You Jia Hui" had kept increasing during the Interim Period and the club membership fees had created stable income to the Group.

"Bloomberg Businessweek/China" (Simplified Chinese edition), our flagship business magazine, ranked No.7 in terms of the advertising revenue in all categories by comparing with 40 other business and financial magazines, according to the market research conducted by Admango. It had gained a wide range of recognition amongst business elites and attracted high-end brands to place advertising orders. Moreover, "Bloomberg Businessweek/China" (Traditional Chinese edition) had successfully organized several finance marketing events and forums in Hong Kong in the past few years and those events enhanced the market recognition among the readers and most of the financial institutions. As such, the advertising performance of this magazine in the Interim Period rose by approximately 34.2% as compared with the same period in 2018, which was mainly attributed to the rising sponsorship income derived from the "2019 Financial Institution Award" organized in May 2019.

Advertising revenue of other monthly magazines experienced declines as per the general trend of the print media market. The Group will continue to review such portfolio of monthly magazines and target to attain an optimal operating result in 2019 and onwards.

During the Interim Period, art related revenue had contributed approximately RMB6.5 million to our Group's income, which derived from the advertising revenue and event income from our art-related magazines – LEAP and the Art Newspaper, and the operating income generated from ticket sales, exhibition service provision and restaurant operation in our creative cultural space – Modern Art Base and ZiWu (誌屋).

(A) BUSINESS REVIEW *(Continued)*

Digital Media

As at the end of Interim Period, the "iWeekly" users on smartphone and tablet had accumulated to 14.8 million. "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 increased their adherence. It continues to be recognised as one of the most successful Chinese media applications on the Apple's and Android's platforms. "iWeekly" was also incorporated with a daily news radio broadcast function, the improvement in function capability is also expected to enhance user frequency and to develop reader loyalty to the App.

"Bloomberg Businessweek 商業週刊中文版" has also broadened its user base on smartphone and tablet by reaching 11.4 million users as at the end of the Interim Period. Moreover, "Bloomberg Businessweek 商業週刊中文版" iPhone version had maintained top five position in Newsstand Top Crossing List in App Store. "Bloomberg Businessweek 商業週刊中文版" is expected to follow the successful footprint of "iWeekly" and is likely to become another main income generator in our digital media business. Furthermore, along with the high quality content of the app and increased recognition amongst business elites, the subscription income of "Bloomberg Businessweek 商業週刊中文版" received via the App and WeChat had contributed RMB2.5 million in the Interim Period. The management expected the subscribed reader base would be continuously enlarging in the coming future, which eventually leads to an improving advertising performance.

"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 Interim Period. 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. "INSTYLE iLady" will continue to utilize the influence of social media to create more interactions with users and continuously enhance its recognition and popularity in the market.

With the launch of "Nowness" app last year, its creative and quality content had attracted increasing number of downloads in the App Store. "Nowness" had quickly developed a client portfolio with high-end brand advertisers. The accumulated users of "Nowness" reached to nearly 3.0 million by the end of the Interim Period. The advertising revenue derived from "Nowness" had reached RMB12.7 million in the Interim Period, which represented 24.5% growth as compared to the same period last year. The management believes that the uniqueness of "Nowness" could make it a leading creative video platform in the targeted niche market which is hard to be imitated by competitors.

Metroer.com has also become a consumption platform to serve elite women, with intensive cooperation with various brands, we observed strong growth of number of participants in the online cosmetic sample trial program being run by Metroer.com, which further stimulated our advertising revenue. The income derived from Metroer.com during the Interim Period amounted to RMB7.3 million, which represented 48.5% growth as compared to the same period last 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 the second half of 2019, the Group will continue to expand innovative business models, 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.

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 years. 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. In addition, the Group had launched the "Nowness" App in 2018, 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 2019.

"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.

(B) BUSINESS OUTLOOK *(Continued)*

"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, will continue to develop the high-end entry-level art collectors market in the PRC in 2019. The newly developed "Modern Eye" business division is determined to build the first leading multi-channel video art platform in the Greater China.

The Group continues to focus on the development of innovative business and strives to build a new media business model that integrates online and offline platforms by combining print, digital and spatial experience. In order to complement the strategy to its "Modern Space" and "Modern Art", the Group acquired 51% equity interest in Shanghai Shangzhao Co., Ltd ("**Shanghai Shangzhao**") and its subsidiary, Shanghai Zhongshe Cultural Development Co., Ltd. (collectively the "**Shanghai Shangzhao Group**") in the Interim Period. Shanghai Shangzhao Group is principally engaged in the operation of galleries and cafes, organization of photography exhibitions, operation of online shop and physical stores for sales of photography artworks, all under the "BROWNIE" brand in the PRC. The management believes that by working with Shanghai Shangzhao and the "BROWNIE" brand, the Group could achieve synergy effects, as well as exploring the new commercial model to create a new business platform or nest for cultural enthusiasts by developing the ZiWu and ZiWuxBROWNIE (誌舖).

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.

DIVIDEND

To preserve more financial resources in response to the market stagnancy, the directors ("**Directors**") do not recommend the payment of any interim dividend (2018: nil). The Directors will consider the final dividend after evaluating the full-year financial performance of 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the Interim Period, the Group recorded a net cash inflow in operating activities of RMB8.3 million (2018: RMB2.7 million). The improvement in cash flow in operating activities was largely due to the increase in sales proceeds received as a result of effective accounts receivable management. The Group recorded a net cash outflow in investing activities of RMB16.6 million for the Interim Period, which mainly comprised of the payment for acquisition of Shanghai Shangzhao Group of RMB5.2 million, payment for software development in progress of RMB4.5 million and payment for leasehold improvement on new offices in Beijing and purchase of office furniture and equipment of RMB5.3 million.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Gearing ratio

The gearing ratio of the Group as at 30 June 2019 was 21.8% (as at 31 December 2018: 15.8%). The gearing ratio increased mainly due to the increase of lease liabilities.

The gearing ratio is calculated based on total debts divided by total assets at each reporting date. Total debts include borrowings and lease liabilities.

Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on property, plant and equipment, software development in progress, prepayment for purchase of property, plant and equipment, prepayment for acquisition of a subsidiary and acquisition of a subsidiary of approximately RMB16.0 million (corresponding period of 2018: RMB34.9 million).

Saved as disclosed in Note 18 to the condensed consolidated interim financial information, the Group did not have any material capital commitments as at 30 June 2019.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing suppliers to secure the banking facilities and printing credit line and the Revenue Guarantee provided to Septwolves Invest as disclosed in Note 21 to the condensed consolidated interim financial information, as at 30 June 2019, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 30 June 2019, the Group's bank loans of RMB28.0 million was secured by the Group's office properties in Beijing and guaranteed by Mr. Shao Zhong ("**Mr. Shao**"), the controlling shareholder of the Group; the Group's bank loans of RMB64.2 million were secured by the office apartment in Hong Kong.

As at 30 June 2019, the Group's printing credit line in an amount of approximately RMB3.6 million was secured by corporate guarantee given by the Company.

FOREIGN CURRENCY RISKS

The Group mainly operates in the PRC, Hong Kong and the United Kingdom 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 recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 30 June 2019, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 30 June 2019, the Group had a total of 533 staff (as at 31 December 2018: 593 staff), whose remunerations and benefits are determined based on market rates, State policies and individual performance. The decrease in the number of employees was mainly due to the rationalization of the organization structure of the Group.

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

22 August 2019

Corporate Governance and Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, 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 of Hong Kong Limited (the "**Stock Exchange**") pursuant the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") or as otherwise notified to the Company:

Long positions in the Company

Name of Director	Company/Name of Group member	Capacity/Nature of interest	Number of ordinary shares of the Company held	Approximate % of issued share capital
Shao Zhong	The Company	Beneficial owner	290,554,000	66.28%
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%

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
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**")	Beneficial owner	95%
Mr. Shao	Guangzhou Xiandai	Interest of controlled corporations (Note 11)	5%
Mr. Shao	上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "**Shanghai Senyin**")	Beneficial owner (Note 12)	100%

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

Notes:

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

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

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

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

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

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

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

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

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

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

11. Guangzhou 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 DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30 June 2019, the Company had been notified of the following shareholders other than Directors having interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares as at 30 June 2019
Madam Zhou Shao-min (Note 1)	Interest of spouse	290,554,000	66.28%
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 30 June 2019 are set out in Note 14(c) of condensed consolidated interim financial information.

SHARE OPTIONS

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

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 1 January 2019 and 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the board (the "**Board**") periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules (the "**Corporate Governance Code**") during the Interim Period with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Company is of the view that it is in the best interest of the Company to let Mr. Shao, the founder of the Group, act in the dual capacity as the chairman and chief executive officer of the Group given Mr. Shao's in-depth expertise and knowledge in business and the Group, which can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by 4 independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors. The Chairman of the Audit Committee possesses appropriate professional qualifications and experience in financial matters.

The Audit Committee has reviewed the interim results of the Group for the Interim Period with no disagreement with the accounting treatments adopted by the Company.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to a specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the Interim Period.

Report on Review of Condensed Consolidated Interim Financial Information

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 19 to 60, which comprise the interim condensed consolidated statement of financial position of Modern Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

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

EMPHASIS OF MATTER – MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 to the condensed consolidated interim financial information, which indicates that the Group incurred a net loss of RMB34,595,000 (unaudited) during the six months ended 30 June 2019, and as of that date, the Group had cash and cash equivalents of RMB6,008,000 (unaudited). As stated in Note 2.1 to the condensed consolidated interim financial information, these conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. As explained in Note 2.1 to the condensed consolidated interim financial information, this condensed consolidated interim financial information has been prepared on a going concern basis. Our conclusion is not modified in respect of this matter.

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

22 August 2019

Lee Lai Lan, Joyce
Practising Certificate No.: P06409

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

For the six months ended 30 June 2019

Six months ended 30 June 2019 HK$'000 (Unaudited)		Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
202,373	**Revenue**	5	177,863	194,331
(118,891)	Cost of sales		(104,492)	(115,910)
83,482	**Gross profit**		73,371	78,421
3,503	Other income	6	3,079	2,357
133	Other gains – net	7	117	150
(52,916)	Distribution expenses		(46,507)	(53,255)
(67,045)	Administrative expenses		(58,926)	(54,479)
(32,843)	**Operating loss**		(28,866)	(26,806)
27	Finance income	7	24	90
(3,816)	Finance expenses	7	(3,354)	(1,861)
(3,789)	Finance expenses – net		(3,330)	(1,771)
(297)	Share of post-tax losses of associates		(261)	(4,163)
(856)	Share of post-tax losses of a joint venture		(752)	–
(1,138)	Impairment loss on interests in associates		(1,000)	–
(38,923)	**Loss before income tax**	7	(34,209)	(32,740)
(439)	Income tax expense	8	(386)	(45)
(39,362)	**Loss for the period**		(34,595)	(32,785)
	Other comprehensive (loss)/income			
	Items that may be subsequently reclassified to profit or loss			
(368)	Exchange differences on translation of financial statements of overseas subsidiaries		(323)	4,069
	Items that will not be subsequently reclassified to profit or loss			
(1,718)	Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(1,510)	–
(2,086)	**Other comprehensive (loss)/income for the period**		(1,833)	4,069
(41,448)	**Total comprehensive loss for the period**		(36,428)	(28,716)

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

For the six months ended 30 June 2019

Six months ended 30 June 2019 HK$'000 (Unaudited)		Notes	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
	Loss attributable to:			
(38,242)	Owners of the Company		(33,611)	(31,405)
(1,120)	Non-controlling interests		(984)	(1,380)
(39,362)			(34,595)	(32,785)
	Total comprehensive loss attributable to:			
(40,302)	Owners of the Company		(35,421)	(27,453)
(1,146)	Non-controlling interests		(1,007)	(1,263)
(41,448)			(36,428)	(28,716)
	Loss per share attributable to owners of the Company (expressed in RMB per share)			
HK$(0.0884)	Basic and diluted	9	RMB(0.0777)	RMB(0.0726)

The Group has initially applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.2.

The notes on pages 27 to 60 are an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Financial Position

As at 30 June 2019

As at 30 June 2019 HK$'000 (Unaudited)		Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
	ASSETS AND LIABILITIES			
	Non-current assets			
239,269	Property, plant and equipment	10	210,291	177,680
42,759	Investment properties	10	37,580	37,380
69,496	Intangible assets	10	61,079	48,056
49,029	Goodwill	11	43,091	32,041
3,924	Software development in progress	10	3,449	2,991
3,240	Interests in associates		2,848	4,106
289	Interest in a joint venture		254	276
1,612	Financial assets at fair value through other comprehensive income		1,417	3,071
8,252	Prepayment for acquisition of property, plant and equipment	12	7,253	5,234
1,029	Prepayment for acquisition of a subsidiary	12	904	–
625	Deferred income tax assets		549	835
419,524			368,715	311,670
	Current assets			
265,411	Trade and other receivables	12	233,267	262,749
57,643	Inventories		50,662	48,896
6,836	Cash and cash equivalents	13	6,008	17,918
329,890			289,937	329,563
	Current liabilities			
71,795	Trade and other payables	15	63,100	57,335
22,085	Lease liabilities	16	19,410	–
12,657	Contract liabilities		11,124	14,908
9,966	Current income tax liabilities		8,759	8,815
121,859	Borrowings	17	107,101	101,108
238,362			209,494	182,166
91,528	**Net current assets**		80,443	147,397
511,052	**Total assets less current liabilities**		449,158	459,067

Interim Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2019

As at 30 June 2019 HK$'000 (Unaudited)		Notes	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
	Non-current liabilities			
3,413	Other payables	15	3,000	–
19,560	Lease liabilities	16	17,191	–
11,744	Deferred income tax liabilities		10,321	7,020
34,717			30,512	7,020
476,335	**Net assets**		418,646	452,047
	EQUITY			
	Equity attributable to owners of the Company			
4,384	Share capital	14	3,853	3,853
233,070	Reserves	14	204,843	206,653
175,554	Retained earnings		154,292	187,903
413,008			362,988	398,409
63,327	**Non-controlling interests**		55,658	53,638
476,335	**Total equity**		418,646	452,047

The Group has initially applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.2.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

The notes on pages 27 to 60 are an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital RMB'000 (Unaudited)	Shares held for Share Award Scheme* RMB'000 (Unaudited)	Share premium* RMB'000 (Unaudited)	Other reserves* RMB'000 (Unaudited)	Statutory surplus reserves* RMB'000 (Unaudited)	Property revaluation reserve* RMB'000 (Unaudited)	Fair value reserve (non-recycling)* RMB'000 (Unaudited)	Translation reserve* RMB'000 (Unaudited)	Retained earnings RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
Balance at 1 January 2019	3,853	(6,793)	145,302	2,859	51,955	16,465	(3,650)	515	187,903	398,409	53,638	452,047
Total comprehensive loss for the period												
Loss for the period	–	–	–	–	–	–	–	–	(33,611)	(33,611)	(984)	(34,595)
Other comprehensive loss for the period												
Currency translation differences	–	–	–	–	–	–	–	(300)	–	(300)	(23)	(323)
Net movement in fair value reserve (non-recycling)	–	–	–	–	–	–	(1,510)	–	–	(1,510)	–	(1,510)
Total comprehensive loss	–	–	–	–	–	–	(1,510)	(300)	(33,611)	(35,421)	(1,007)	(36,428)
Transactions with owners												
Acquisition of a subsidiary (Note 19)	–	–	–	–	–	–	–	–	–	–	3,027	3,027
Balance at 30 June 2019	3,853	(6,793)	145,302	2,859	51,955	16,465	(5,160)	215	154,292	362,988	55,658	418,646

Interim Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 June 2019

	Share capital RMB'000 (Unaudited)	Shares held for Share Award Scheme* RMB'000 (Unaudited)	Share premium* RMB'000 (Unaudited)	Other reserves* RMB'000 (Unaudited)	Statutory surplus reserves* RMB'000 (Unaudited)	Property revaluation reserve* RMB'000 (Unaudited)	Fair value reserve (non-recycling)* RMB'000 (Unaudited)	Translation reserve* RMB'000 (Unaudited)	Retained earnings RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Non-controlling interests RMB'000 (Unaudited)	Total equity RMB'000 (Unaudited)
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 income/(loss) for the period												
Loss for the period	–	–	–	–	–	–	–	–	(31,405)	(31,405)	(1,380)	(32,785)
Other comprehensive income for the period												
Currency translation differences	–	–	–	–	–	–	–	3,952	–	3,952	117	4,069
Total comprehensive income/(loss)	–	–	–	–	–	–	–	3,952	(31,405)	(27,453)	(1,263)	(28,716)
Balance at 30 June 2018	3,853	(6,809)	145,302	(1,366)	50,397	16,465	(750)	(1,486)	193,131	398,737	45,023	443,760

* These reserves accounts comprise the Group's reserves of RMB204,843,000 in the interim condensed consolidated statement of financial position as at 30 June 2019 (As at 31 December 2018 (audited): RMB206,653,000).

The Group has initially applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.2.

The notes on pages 27 to 60 are an integral part of this interim financial information.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

Six months ended 30 June 2019 HK$'000 (Unaudited)		Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
	Cash flows from operating activities		
9,465	Cash generated from operations	8,318	3,299
(64)	Income tax paid	(56)	(639)
9,401	*Net cash generated from operating activities*	8,262	2,660
	Cash flows from investing activities		
(3,763)	Purchase of property, plant and equipment	(3,307)	(2,223)
(5,138)	Payments for software development in progress	(4,516)	(4,390)
76	Proceeds from disposal of property, plant and equipment	67	5
–	Payment for interest in a joint venture	–	(500)
(2,297)	Prepayment for acquisition of property, plant and equipment	(2,019)	(26,000)
–	Prepayment for acquisition of intangible assets	–	(1,830)
(1,029)	Prepayment for acquisition of a subsidiary	(904)	–
(5,956)	Acquisition of a subsidiary (Note 19)	(5,235)	–
(804)	Other investing cash flows – net	(706)	(190)
(18,911)	*Net cash used in investing activities*	(16,620)	(35,128)

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2019

Six months ended 30 June 2019 HK$'000 (Unaudited)		Six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
	Cash flows from financing activities		
8,086	Proceeds from borrowings	7,107	–
(1,378)	Repayments of borrowings	(1,211)	(4,217)
(6,934)	Payment of lease liabilities	(6,094)	–
(3,816)	Interest paid	(3,354)	(1,861)
(4,042)	*Net cash used in financing activities*	(3,552)	(6,078)
(13,552)	**Net decrease in cash and cash equivalents**	(11,910)	(38,546)
20,388	Cash and cash equivalents at beginning of the period	17,918	58,385
6,836	**Cash and cash equivalents at end of the period**	6,008	19,839

The Group has initially applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.2.

The notes on pages 27 to 60 are an integral part of this interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2019

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**") is principally engaged in the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation.

The interim condensed consolidated statement of financial position as at 30 June 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes of equity and the interim condensed consolidated statement of cash flows for six-month period then ended, and other explanatory notes (collectively defined as the "**Interim Financial Information**") of the Group have been approved by the Board of Directors on 22 August 2019.

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

This Interim Financial Information have been reviewed, not audited.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the preparation of the Interim Financial Information for the six months ended 30 June 2019 are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and amended International Financial Reporting Standards ("**IFRSs**") as disclosed in Note 2.2 below and the trademark acquired as disclosed in Note 10.

The Interim Financial Information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2018.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

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 Hong Kong dollars ("**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 year are within the PRC, the Group determined to present the Interim Financial Information in RMB, unless otherwise stated.

The translation into HK$ of the Interim Financial Information as of, and for the six months ended 30 June 2019 is for convenience only and has been made at the rate of HK$1.1378 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HK$ at this or any other rate.

2.1 Going-concern basis

In preparing the Interim Financial Information, the directors of the Company have given consideration to the future liquidity of the Group in light of its net loss of RMB34,595,000 for the six months ended 30 June 2019 and, as of that date, the Group had cash and cash equivalents of RMB6,008,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group meets its day-to-day working capital requirements through its bank facilities, shareholder loan and cash inflows generated from operating activities. The current economic conditions continue to create uncertainties, 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 will be able to operate with its current and expected new bank facilities, shareholder loan 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 Interim Financial Information have been prepared on a going concern basis.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 New and amended IFRSs adopted by the Group

The Group has applied all the following amendments to IFRSs which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 January 2019.

IFRS 16	Leases
Amendments to IFRS 9	Payment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRS 2015–2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments

The Group has not early 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.

IFRS 16 "Leases" – Impact of adoption

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

For the six months ended 30 June 2019

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 New and amended IFRSs adopted by the Group *(Continued)*

IFRS 16 "Leases" – Impact of adoption *(Continued)*

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.0%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000 (Unaudited)
Total operating lease commitments disclosed at 31 December 2018	28,864
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(5,659)
Operating leases liabilities before discounting	23,205
Discounting using incremental borrowing rate as at 1 January 2019	(1,305)
Operating leases liabilities recognised under IFRS 16 at 1 January 2019	21,900
Classified as:	
– Current lease liabilities	11,727
– Non-current lease liabilities	10,173
	21,900

The following table summarises the impact of transition to IFRS 16 on the Group's interim condensed consolidated statement of financial position at 1 January 2019:

	RMB'000 (Unaudited)
Increase in right-of-use assets presented in property, plant and equipment (Note 10)	21,900
Increase in lease liabilities	21,900

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 New and amended IFRSs adopted by the Group *(Continued)*

IFRS 16 "Leases" – Key changes in accounting policies

The Interim Financial Information have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying IFRS 16.

(a) The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 New and amended IFRSs adopted by the Group *(Continued)*

IFRS 16 "Leases" – Key changes in accounting policies *(Continued)*

(a) The Group as a lessee (Continued)

Applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the interim condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 New and amended IFRSs adopted by the Group *(Continued)*

IFRS 16 "Leases" – Key changes in accounting policies *(Continued)*

(a) The Group as a lessee (Continued)

Applicable from 1 January 2019 (Continued)

Measurement and recognition of leases as a lessee *(Continued)*

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the interim condensed consolidated statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within investment property.

Applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

2.2 New and amended IFRSs adopted by the Group *(Continued)*

IFRS 16 "Leases" – Key changes in accounting policies *(Continued)*

(a) The Group as a lessee (Continued)

Applicable before 1 January 2019 (Continued)

Operating leases

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

4.1 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 Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at and for the year ended 31 December 2018.

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 since year end.

4.2 Fair value measurement of financial instruments

The table below analyses the Group's financial instruments carried at fair value as at 30 June 2019 and 31 December 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

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

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2019 (Unaudited)				
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	1,417	1,417
As at 31 December 2018 (Audited)				
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.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(Continued)*

4.2 Fair value measurement of financial instruments *(Continued)*

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:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	Year ended 31 December 2018 RMB'000 (Audited)
Equity investments		
At 1 January	3,071	4,921
Acquisition	–	1,022
Fair value changes recognised in other comprehensive income	(1,510)	(2,900)
Currency translation differences	(144)	28
At 30 June/31 December	1,417	3,071

There have been no transfers into or out of level 3 during the six months ended 30 June 2019 and the year ended 31 December 2018.

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, share of post-tax losses of associates and a joint venture, impairment loss on interests in associates, change in fair value of investment properties and other unallocated head office and corporate expenses.

5. SEGMENT INFORMATION *(Continued)*

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, 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 liabilities information is not presented.

The Group has two reportable segments as described below, which are the Group's strategic business units. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profits/losses of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

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

- Digital media: 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:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Reportable segment:		
– Print media and art	116,169	135,152
– Digital media	63,137	61,795
	179,306	196,947
Revenue derived from other operations	3,399	2,421
Less: sales taxes and other surcharges	(4,842)	(5,037)
	177,863	194,331
Types of goods or services:		
– Advertising income	131,120	134,130
– Circulation and subscription income	5,587	8,108
– Production, event and service income	38,350	51,277
– Sales of artworks and goods	52	–
– Revenue from restaurant operation	1,691	816
– Rental income	1,063	–
	177,863	194,331
Timing of revenue recognition under IFRS 15:		
– At a point in time	138,450	143,054
– Over time	38,350	51,277
	176,800	194,331
Rental income	1,063	–
	177,863	194,331

5. SEGMENT INFORMATION *(Continued)*

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the six months ended 30 June 2019 and 2018 were set out as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Reportable segment:		
– Print media and art	(16,559)	(20,303)
– Digital media	6,708	5,487
	(9,851)	(14,816)
Revenue derived from other operations (Note 5(a))	3,399	2,421
Depreciation	(13,399)	(6,364)
Amortisation	(7,121)	(6,120)
Finance expenses – net	(3,330)	(1,771)
Share of post-tax losses of associates	(261)	(4,163)
Share of post-tax losses of a joint venture	(752)	–
Impairment loss on interest in associates	(1,000)	–
Change in fair value of investment properties	200	150
Unallocated head office and corporate expenses	(2,094)	(2,077)
Loss before income tax	(34,209)	(32,740)

5. SEGMENT INFORMATION *(Continued)*

(b) Adjusted EBITDA *(Continued)*

	Six months ended 30 June 2019		
	Depreciation RMB'000 (Unaudited)	Amortisation RMB'000 (Unaudited)	Finance expenses – net RMB'000 (Unaudited)
Reportable segment:			
– Print media and art	12,327	351	2,929
– Digital media	1,072	6,770	401
	13,399	7,121	3,330

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

5. SEGMENT INFORMATION *(Continued)*

(c) Total assets

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Reportable segment:		
– Print media and art	412,954	383,020
– Digital media	126,107	128,447
	539,061	511,467
Corporate and unallocated assets	2,278	2,294
Investment properties	37,580	37,380
Interests in associates	2,848	4,106
Interest in a joint venture	254	276
Financial assets at fair value through other comprehensive income	1,417	3,071
Deferred income tax assets	549	835
Other receivables	68,657	63,886
Cash and cash equivalents	6,008	17,918
Total assets	658,652	641,233

Additions to non-current segment assets during the period are as follows:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Reportable segment:		
– Print media and art	62,278	29,968
– Digital media	16,055	4,417
	78,333	34,385

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, prepayment for property, plant and equipment and prepayment for acquisition of a subsidiary ("**specified non-current assets**") were mainly in the PRC, Hong Kong and the United Kingdom (the "**UK**") as at 30 June 2019 and 31 December 2018.

6. OTHER INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC government subsidy (i)	**2,455**	1,893
Others	**624**	464
	3,079	2,357

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

7. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income:		
– Interest income derived from bank deposits	**(24)**	(90)
Finance expenses:		
– Interest expense on borrowings wholly repayable within 5 years	**1,797**	1,449
– Interest expense on borrowings wholly repayable after 5 years	**435**	412
– Finance charges on lease liabilities	**1,122**	–
	3,354	1,861
Finance expenses – net	**3,330**	1,771
Change in fair value of investment properties	**(200)**	(150)
Exchange losses	**83**	–
Other gains – net	**(117)**	(150)
Other items		
Depreciation of property, plant and equipment:		
– Owned assets	**6,911**	6,471
– Right-of-use assets	**6,717**	–
Amortisation of intangible assets	**7,121**	6,120
Expected credit loss ("**ECL**") allowance on trade receivables	**462**	25
Impairment of goodwill	**800**	–
Lease charges:		
– Office rental costs	**–**	9,429
– Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	**3,250**	–

8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Deferred tax	**386**	45
Income tax expense	**386**	45

Notes:

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

(b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (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%.

Hong Kong profits tax has not been provided for the six months ended 30 June 2019 and 2018 on the subsidiaries in Hong Kong as the subsidiaries had no estimated assessable profits in Hong Kong.

(c) The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25% (Six months ended 30 June 2018 (unaudited): 25%). No provision has been made for PRC corporate income tax as the Group sustained a loss for taxation purpose.

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

Notes to the Condensed Consolidated Interim Financial Information *(continued)*

For the six months ended 30 June 2019

9. LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2019 (Unaudited)	2018 (Unaudited)
Loss attributable to owners of the Company (RMB'000)	(33,611)	(31,405)
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 14(c))	(5,647)	(5,697)
Weighted average number of ordinary shares in issue (thousands)	432,706	432,656
Basic loss per share (RMB per share)	(0.0777)	(0.0726)

(b) Diluted loss per share

Diluted loss per share were same as the basic loss per share as there was no dilutive event existed during six months ended 30 June 2019 and 2018.

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

	Property, plant and equipment RMB'000 (Unaudited)	Investment properties RMB'000 (Unaudited)	Intangible assets RMB'000 (Unaudited)	Software development in progress RMB'000 (Unaudited)
Six months ended 30 June 2019				
Net book amount as at 1 January 2019	177,680	37,380	48,056	2,991
Initial application of IFRS 16 (Note 2.2)	21,900	–	–	–
Additions	19,748	–	–	4,516
Acquisition of a subsidiary (Note 19)	4,595	–	12,801	–
Disposals	(67)	–	–	–
Transfers	–	–	7,354	(4,058)
Depreciation and amortisation	(13,628)	–	(7,121)	–
Fair value change	–	200	–	–
Currency translation differences	63	–	(11)	–
Net book amount as at 30 June 2019	210,291	37,580	61,079	3,449
Six months ended 30 June 2018				
Net book amount as at 1 January 2018	149,734	36,590	47,956	6,217
Additions	2,223	–	–	4,390
Disposals	(5)	–	–	–
Transfers	–	–	6,646	(6,646)
Depreciation and amortisation	(6,471)	–	(6,120)	–
Fair value change	–	150	–	–
Currency translation differences	1,258	–	116	–
Net book amount as at 30 June 2018	146,739	36,740	48,598	3,961

10. PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTIES, INTANGIBLE ASSETS AND SOFTWARE DEVELOPMENT IN PROGRESS *(Continued)*

(i) As at 30 June 2019, certain buildings in the PRC and Hong Kong included in the Group's property, plant and equipment with carrying amount of RMB99,682,000 (As at 31 December 2018 (audited): RMB84,073,000) were pledged as collaterals for the Group's bank borrowings, amounted to RMB69,160,000 (As at 31 December 2018 (audited): RMB64,060,000) (Note 17).

As at 30 June 2019, buildings in the PRC included in the Group's investment properties with carrying amount of RMB37,580,000 (As at 31 December 2018 (audited): RMB37,380,000) were pledged as collaterals for the Group's bank borrowings, amounted to RMB23,000,000 (As at 31 December 2018 (audited): RMB23,000,000) (Note 17).

(ii) During the six months ended 30 June 2019, the Group entered into three new lease agreements for use of various buildings for three years. The Group makes fixed payments during the contract periods. On lease commencement, the Group recognised right-of-use assets included in property, plant and equipment and lease liabilities amounting to RMB16,441,000 and RMB16,441,000 respectively (Note 16).

Upon acquisition of a subsidiary (Note 19), the Group recognised right-of-use assets included in property, plant and equipment and lease liabilities amounting to RMB4,105,000 and RMB4,354,000 respectively.

As at 30 June 2019, the carrying amounts of the Group's right-of-use assets in relation to buildings included in property, plant and equipment was RMB35,729,000.

(iii) The Group's investment properties were revalued at 30 June 2019 by independent professionally qualified valuer, DTZ Debenham Tie Leung Shenzhen Valuation Company Limited, using the same valuation techniques as were used by this valuer when carrying out the 31 December 2018 valuation.

(iv) The trademark of RMB12,801,000 acquired from the acquisition of a subsidiary (Note 19) has an indefinite useful life which is not subject to amortisation and is tested annually for impairment.

11. GOODWILL

	Six months ended 30 June 2019 RMB'000 (Unaudited)	Year ended 31 December 2018 RMB'000 (Audited)
At 1 January	32,041	32,041
Acquisition of a subsidiary (Note 19)	11,850	–
Impairment losses	(800)	–
At 30 June/31 December	43,091	32,041

Goodwill is allocated to the Group's cash-generating units ("**CGUs**") identified according to country of operation and operating segment. A segment level summary of goodwill is presented below:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Digital media – the PRC	30,032	30,032
Print media and art – the PRC	13,059	2,009
	43,091	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, consistent with the methods used as at 31 December 2018.

Due to the underperformance of Shanghai Houyuan Cafe Co. Ltd., which is an indirect wholly owned subsidiary of the Group and one of the CGUs under the print media and art operating segment, during the six months ended 30 June 2019, the Group estimated that the carrying amount of the CGU at 30 June 2019 exceeded its estimated recoverable amount by RMB800,000. Accordingly, impairment loss of RMB800,000 was recognised and included under "administrative expenses" in the interim condensed consolidated statement of profit or loss and other comprehensive income.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables (a)		
– Due from third parties	166,712	197,490
Less: ECL allowance of trade receivables (b)	(7,735)	(7,273)
Trade receivables – net	158,977	190,217
Value-added tax recoverable	18,761	18,801
Prepayments	26,661	23,125
Printing deposits	13,889	13,880
Rental, utility and other deposits	8,977	8,417
Advances and loans to employees (c)	8,535	8,457
Others	5,624	5,086
	241,424	267,983
Less non-current portion:		
Prepayment for acquisition of property, plant and equipment	(7,253)	(5,234)
Prepayment for acquisition of a subsidiary	(904)	–
Current portion	233,267	262,749

12. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The aging analysis of trade receivables, based on invoice dates, before ECL allowance, was as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables, gross		
– Within 30 days	51,941	82,837
– Over 30 days and within 90 days	37,562	52,122
– Over 90 days and within 180 days	38,265	35,480
– Over 180 days	38,944	27,051
	166,712	197,490

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. Movements in ECL allowance of trade receivables were as follows:

	Six months ended 30 June 2019 RMB'000 (Unaudited)	Year ended 31 December 2018 RMB'000 (Audited)
At 1 January	7,273	6,981
ECL allowance recognised (Note 7)	462	292
At 30 June/31 December	7,735	7,273

(c) The advance and loans to employees are unsecured, interest-free and repayable on demand.

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Cash at bank and in hand	6,008	17,918

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

14. SHARE CAPITAL, DIVIDEND AND RESERVES

(a) 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 30 June 2019 (unaudited) and 31 December 2018 (audited)	**8,000,000**	**80,000**

	Number of shares (thousands)	Share capital RMB'000
Ordinary shares, issued and fully paid:		
At 30 June 2019 (unaudited) and 31 December 2018 (audited)	**438,353**	**3,853**

14. SHARE CAPITAL, DIVIDEND AND RESERVES *(Continued)*

(b) Dividend

The directors of the Company do not recommend the payment of any dividend by the Company for the six months ended 30 June 2019 and 2018.

(c) Share award scheme

On 3 December 2009, the Board of Directors of the Company approved the Share Award Scheme (the "**Share Award Scheme**") under which shares of the Company (the "**Awarded Shares**") may be awarded to eligible participants in accordance with the provisions of the Share Award Scheme. Details of the terms of the scheme have been set out in the Group's annual financial statements for the year ended 31 December 2018.

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

	Six months ended 30 June 2019		Year ended 31 December 2018	
	Number of shares held	Value RMB'000	Number of shares held	Value RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
At 1 January	5,647,000	6,793	5,697,000	6,809
Shares vested during the period/year	–	–	(50,000)	(16)
At 30 June/31 December	5,647,000	6,793	5,647,000	6,793

15. TRADE AND OTHER PAYABLES

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables:		
– Due to third parties (a)	33,289	32,298
Other payables:		
– Accrued taxes other than income tax	7,703	6,900
– Accrued expenses	7,334	7,446
– Advertising and promotion expenses payable	3,105	3,573
– Salaries, wages, bonus and benefits payable	863	1,537
– Consideration payable for acquisition of a subsidiary (Note 19)	9,000	–
– Other liabilities	4,806	5,581
	66,100	57,335
Less non-current portion:		
Consideration payable for acquisition of a subsidiary	(3,000)	–
Current portion	63,100	57,335

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables		
– Within 30 days	19,559	15,971
– Over 30 days and within 90 days	7,169	8,357
– Over 90 days and within 180 days	3,522	5,545
– Over 180 days	3,039	2,425
	33,289	32,298

16. LEASE LIABILITIES

	As at 30 June 2019 RMB'000 (Unaudited)
Total minimum lease payments:	
– Due within one year	21,269
– Due in the second to fifth years	18,450
	39,719
Future finance charges on leases liabilities	(3,118)
Present value of leases liabilities	36,601

	As at 30 June 2019 RMB'000 (Unaudited)
Present value of minimum lease payments:	
– Due within one year	19,410
– Due in the second to fifth years	17,191
	36,601
Less:	
Portion due within one year included under current liabilities	(19,410)
Portion due after one year included under non-current liabilities	17,191

17. BORROWINGS

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Current		
– Secured bank borrowings (a)	92,160	87,060
– Other unsecured borrowings (b)	14,941	14,048
	107,101	101,108

(a) As at 30 June 2019, secured bank borrowings of RMB92,160,000 (As at 31 December 2018 (audited): RMB87,060,000) were secured by certain properties of the Group with aggregate carrying amount of RMB137,262,000 (As at 31 December 2018 (audited): RMB121,453,000) (Note 10), among which RMB28,000,000 (As at 31 December 2018 (audited): RMB23,000,000) were guaranteed by Mr. Shao.

(b) During the six months ended 30 June 2019, the Group entered into an agreement with Mr. Shao and an independent third party (the "**Lender**"), pursuant to which the other unsecured borrowings of RMB14,941,000 (which mainly comprised of RMB14,048,000 as at 31 December 2018 and addition of RMB865,000 during the six months ended 30 June 2019) due to the Lender was transferred to Mr. Shao. The directors of the Company are of the opinion that the above related party transaction was conducted on normal commercial terms and in the ordinary course of business. As at 30 June 2019, the other unsecured borrowings due to a related party is unsecured, repayable on demand and bears interest at fixed rate of 5% per annum.

18. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Contracted but not provided for:		
– Property, plant and equipment	3,472	2,286
– Acquisition of a subsidiary	6,103	–
	9,575	2,286

18. COMMITMENTS *(Continued)*

(b) Operating lease commitments

As at 30 June 2019, the Group leases various buildings which are qualified to be accounted for under short-term lease exemption under IFRS 16. As at 31 December 2018, the Group leases various buildings under operating lease agreements. The leases have varying terms and renewal rights.

The lease commitments for short-term leases (As at 31 December 2018 (audited): the future aggregate minimum lease payments under non-cancellable operating leases) were as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Operating leases expiring:		
– Within 1 year	1,916	18,216
– After 1 year but within 5 years	–	10,648
	1,916	28,864

The Group leases its investment properties (Note 10) 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 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Operating leases expiring:		
– Within 1 year	2,126	2,126
– After 1 year but within 5 years	9,597	9,407
– After 5 years	303	1,556
	12,026	13,089

18. COMMITMENTS *(Continued)*

(c) Other commitments

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Licensing agreement expiring:		
– Within 1 year	20,960	22,182
– After 1 year but within 5 years	33,108	41,941
– After 5 years	2,286	2,828
	56,354	66,951

19. ACQUISITION OF A SUBSIDIARY THROUGH BUSINESS ACQUISITION

Pursuant to an investment agreement entered into between the Group, Shanghai Shangzhao Co., Ltd. ("**Shanghai Shangzhao**") (an independent third party) and the shareholders of Shanghai Shangzhao (independent third parties) on 8 April 2019, the Group agreed to subscribe for RMB2,365,500 in the registered capital of Shanghai Shangzhao, representing 51% of its enlarged registered capital, at a consideration of RMB15,000,000 (the "**Acquisition**"). Shanghai Shangzhao and its subsidiary, Shanghai Zhongshe Cultural Development Co., Ltd. (collectively the "**Shanghai Shangzhao Group**") are incorporated in the PRC with limited liability and are principally engaged in the operation of galleries and cafes, organisation of photography exhibitions, operation of online shop and physical stores for sales of photography artworks in the PRC. The Acquisition was completed on 30 June 2019 (the "**Completion Date**"). Details of the Acquisition have been disclosed in the Group's announcements dated 8 and 18 April 2019.

The Acquisition was made to broaden the income base of the Group and to facilitate the development of the Group's art business.

19. ACQUISITION OF A SUBSIDIARY THROUGH BUSINESS ACQUISITION *(Continued)*

The provisional fair value of the identifiable assets and liabilities of the Shanghai Shangzhao Group acquired at the Completion Date is as follows:

	RMB'000 (Unaudited)
Property, plant and equipment	4,595
Intangible assets	12,801
Trade and other receivables	3,916
Inventories	791
Cash and cash equivalents	765
Trade and other payables	(9,136)
Lease liabilities	(4,354)
Deferred tax liabilities	(3,201)
Net assets acquired	6,177
Goodwill	11,850
Less: non-controlling interests	(3,027)
Total cash consideration	15,000

The non-controlling interests in Shanghai Shangzhao Group recognised at the Completion Date was measured by reference to the proportionate share of the recognised amounts of the Shanghai Shangzhao Group's identifiable net assets.

As at the date of the Interim Financial Information, the valuation assessments have not been completed and the Group has not finalised the fair value assessment on all the net assets acquired and liabilities assumed. On this basis, the Acquisition relevant fair values of net assets are stated above on a provisional basis.

An analysis of the cash flows in respect of the Acquisition is as follows:

	RMB'000 (Unaudited)
Cash consideration paid	6,000
Cash and cash equivalents acquired	(765)
Cash outflow on Acquisition	5,235

As at 30 June 2019, cash consideration of RMB9,000,000 remained unpaid, and was included in current and non-current portion of consideration payable for acquisition of a subsidiary.

19. ACQUISITION OF A SUBSIDIARY THROUGH BUSINESS ACQUISITION *(Continued)*

Goodwill arose in Acquisition as the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

Acquisition-related costs amounting to RMB160,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the interim condensed consolidated statement of profit or loss and other comprehensive income.

If the Acquisition had occurred on 1 January 2019, the Group's revenue would have been increased by RMB3,282,000 and loss for the period would have been increased by RMB7,346,000 for the six months ended 30 June 2019. 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 2019, nor is it intended to be a projection of future results.

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in this Interim Financial Information, the Group did not enter into any material related party transactions during the six months ended 30 June 2019 and 2018.

(b) Payables to related parties included in borrowings (Note 17)

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Mr. Shao	14,941	–

(c) Key management compensation

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Salaries and allowances	6,501	6,251
Retirement scheme contributions	313	304
	6,814	6,555

20. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

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

As at 30 June 2019 and 31 December 2018, Mr. Shao is entrusted as registered shareholder of certain investments in subsidiaries and financial assets at fair value through other comprehensive income on behalf of the Group.

21. CONTINGENT LIABILITIES

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

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