MODERN MEDIA HOLDINGS LIMITED
ANNUAL REPORT 2020

現代傳播控股有限公司 2020年 年報

Stock Code:72

股份代號：72

現代傳播
Modern Media

CONTENTS

現代傳播簡介

現代傳播集團是一間創新型的國際化複合媒體集團。國際化、時尚化、高品位、社會心是我們的企業基因。不管市場如何改變，追尋現代精神與傳播世界潮流，一直是我們的企業使命，創建一間立足中國，胸懷世界的國際化傳播公司是我們從來沒有改變過的意志、力量和夢想。為此，在實踐過程中我們通過不斷創新和探索，形式也可以不拘一格，從平面產品到數碼產品，再到空間平台不斷更新換代，成為不斷賦予新的時代精神和文化創意內涵的複合創新媒體。

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

我們一直努力致力於把現代傳播打造為中國領先的高端國際化傳播集團。經過二十七年的艱苦創業，現代傳播已經成為中國領先的最具創新性和國際化的高端傳播集團。旗下擁有包括商業、文化、藝術、時尚、生活方式等不同類型的創新內容和數碼技術與空間平台等多媒體融合發展戰略平台。與國際最具影響力的國際傳播機構和組織擁有多年的合作夥伴關係，如美國的彭博商業傳媒集團、美國時代出版集團、英國初版集團及法國出版集團等國際知名媒體集團緊密合作。在藝術平台上也與國際知名藝術機構深入合作，與英國著名博物館V&A建立了長期的合作夥伴關係，並在倫敦的V&A總部影像中心建立了「現代傳播畫廊」。近年來，我們收購了由法國著名奢侈品品牌路易威登旗下的全球最具影響力的年輕人創意文化視頻在線播放平台Nowness的控股權，以及擁有超過70年歷史的藝術評論雜誌Art Review的控股權，使現代傳播進一步拓展到全球市場和進一步擴大國際知名度與影響力。

現代傳播在商業發展的同時，還一直致力於社會公益事業的發展。我們在十二年前開始幫助國內特殊教育的發展，在湖北鬆滋幫助建設了一間在國內多次獲得政府獎勵和榮譽的「現代傳播特殊教育學校」。同時，我們還建立了「現代傳播特殊教育基金會」作為進一步擴大對特殊教育事業的支持和發展的慈善組織。社會心一直是現代傳播的基因，我們希望在社會責任中作出更多的努力和貢獻。

ABOUT MODERN MEDIA

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

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

We have been striving to build Modern Media into a leading, highprofile media Group in China. Over 27 years of entrepreneurship, Modern Media has become the most innovative and internationalized high-profile media group in China. The Group has different types of innovative content including business, culture, art, fashion, lifestyle, and multi-media integration strategic platforms and closely cooperated which combine digital technology and space platform. The Group has established years of partner relationships with the most influential international media agencies and organizations, such as Bloomberg Media Group, Time Inc.,UK Publishing Groups, French Publishing Groups and other renowned international media groups . In terms of art field, the Group also cooperated with international famous art institutions, established a long-term partnership with the famous British Museum V&A, built a “Modern Media Gallery” at the Image Center of V&A Headquarters in London. In recent years, we acquired the controlling equity interest of Nowness, the world’s most influential online platform for young people’s creative and cultural video broadcasting, from the famous French luxury brand Louis Vuitton and owns the controlling equity interest of Art Review, an art commentary magazine with over 70 years. All these have further expanded the presence of Modern Media in the global market and further enhanced its international recognition and influence.

While developing business, Modern Media has always been committed to developing social public welfare. 12 years ago, we began to help the development of special education in China. In Songzi, Hubei Province, we supported to build a “Modern Media Special Education School” which won numerous government awards and honors in China. Moreover, we established the “Modern Media Special Education Foundation” as a charity organization to further expand the support and development for special education. The social responsibility has always been the DNA of Modern Media, in which, we hope to make more efforts and contributions.

現代傳播公司架構
MODERN MEDIA CORPORATE STRUCTURE

- 現代傳播(珠海)科技 Modern Media（Zhuhai）Technology
  - 出版 Publication
- 深圳雅致美 Shenzhen Yazhimei
  - 數碼 Digital
- 珠海現代藝術 Zhuhai Modern Art
  - 藝術營銷 Art Marketing
  - 藝術空間 Art Space

- 平面平台 Print Platform
- 數碼平台 Digital Platform
- 視頻平台 Video Platform
- 空間平台 Space Platform
- 展會平台 Exhibition Platform

現 代 傳 播 大 平 台
MODERN MEDIA PLATFORM

平面 Print

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

數碼 Digital

- W
- 商业周刊
- InStyle
- IDEAT
- ArtCalendar
- A
- 乐活
- VERA CITY 號外
- F
- 现在
- NOWNESS 现在

空間 Space

- ZIWU 誌屋
- BROWNIE art photography
- Modern Art KITCHEN 艺厨
- MAB Modern Art Base
- Modern Art Academy
- Modern Workshop
- Modern Studio

生活方式 Lifestyle | 文化 Culture | 藝術 Art | 商業 Business | 時尚 Fashion | 視頻 Video

内容中心
CONTENT ISSUER

平面平台
PRINT PLATFORM

數碼平台

DIGITAL PLATFORM

iWeekly
周末畫報

Bloomberg
Businessweek
商業周刊/中文版

InStyle iLady

ART CALENDAR
展覽日歷

IDEAT 理想家

IART 藝術新聞

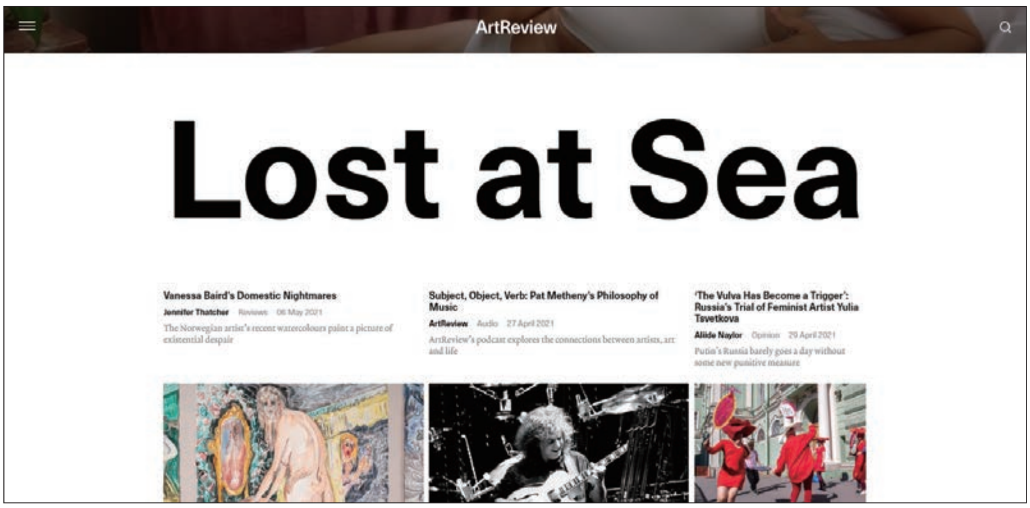
LOHAS
樂活

非常號外

現在

ArtReview

ArtReview Asia

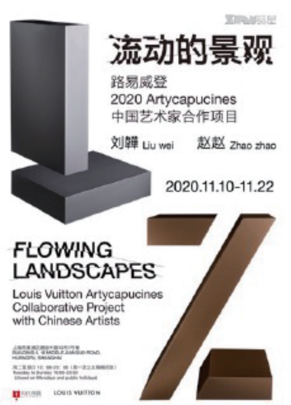


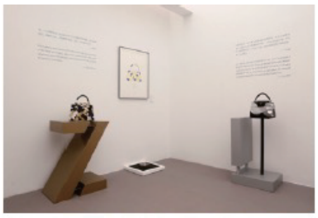
空 間 平 台
SPACE PLATFORM

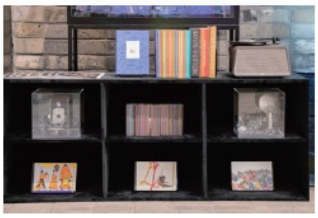
合作品牌

ZiWU x Jaguar Land Rover
發現無止境－滇藏文化周

ZiWU x Dior x Daniel Arsham
未來遺跡
迪奧限量版藝術作品展







流動的景觀
Louis Vuitton Artycapucines
中國藝術家合作項目

ZiWU x Porsche x Daniel Arsham
結晶腐蝕版911藝術車

誌 屋

ZIWU是一本立體化時尚空間，集知識、時尚、藝術與生活方式等內容於一身；是一個能夠被看到、聽到、觸摸到和被感知的創意空間。

ZiWU

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

ZIWU&明星
ZIWU&STAR

ANGELABABY

張恩利

李宇春

Cici項偲婧

RJ & AA

劉嘉玲

應采兒

KIM JONES & LINDA

主席報告

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

公司創始人主席的話：

共同邁向新時代
——以求新去突破以求變去發展

現代傳播集團是一間創新型的國際化複合媒體集團。國際化、時尚化、高品位、社會心是我們的企業基因。不管市場如何改變，追尋現代精神與傳播世界潮流，一直是我們的企業使命，創建一間立足中國，胸懷世界的國際化傳播公司是我們從來沒有改變過的意志、力量和夢想。為此，在實踐過程中我們通過不斷創新和探索，形式也可以不拘一格，從平面產品到數碼產品，再到空間平台不斷更新換代，成為不斷賦予新的時代精神和文化創意內涵的複合創新媒體。

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

MESSAGE FROM THE CHAIRMAN AND FOUNDER OF THE COMPANY

TOGETHER INTO A NEW ERA
—— Making breakthroughs through innovation
Seeking development through changes

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

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

本公司及其附屬公司(「本集團」)在二零二一年將繼續擴大創新商業模式，進一步拓展和完善從平面媒體到數碼媒體再到平台媒體的轉型升級。平台經濟已經成為中國新經濟的增長點，為此，現代傳播的發展戰略經過三個發展階段從平面媒體到數碼平台再到藝術平台的轉型升級。

不停現代不斷進化是我們永恒的目標。

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

隨著技術的發展和文化的影響與社會的變革而促進商業模式的轉型與創新：

印刷技術一數碼技術一平台技術
發行網一互聯網一物聯網
信息一服務一共享

不斷出新，抓住流行文化的商機。創意文化是我們新的增長點。

創建時尚藝術化的人文創意生態小區，激發創意靈感，營造一個聚集藝術時尚潮流氛圍，將當代人生活環節與工作實現完美交織。其實很多事情都是邊做邊想出來的，如Modern Space都是在做辦公室和藝術空間時想出來的創意和生意。其實就是一個空間雜誌(Space Zine)的概念。傳播一種生活方式，讓一個中產家庭可以在週末從早到晚待在那裏，讀書學習，享受生活。為消費者提供具有幸福感的一站式的休閒空間。空間即媒體，行為即內容。通過價值鏈的重組和整合轉變成平台，這才是真正的升級與換代區別。

現代傳播希望運用移動互聯網平台技術平面和線上與空間的互動用平台建築全媒體矩陣。

沒有成功的企業，只有時代的企業。我們要塑造時代先鋒的企業形象。為此，我們要將客戶的生活方式與我們的品牌掛鈎。現代傳播的員工，會覺得在現代傳播上班是一份體面的工作。所以，我們不能隨便招人，我寧可高一些薪水也要招聘到更好的人才。在一個有創意有品味的公司上班對於優秀的人才來説仍然是很重要的。如果企業具有先鋒特色和品牌影響力則更會吸引優秀的人才來工作。

所以，不斷去提升和發展企業的品牌形象是非常重要的事情。讓每個同事作為現代傳播的員工都有自豪感、有面子是我要去努力的工作。就像我個人一樣，希望我們的企業也建立起一個有魅力的企業。一個有創新精神和有創意活力，有品味和有質量具有獨特風格的代表時代先鋒標誌性的企業。

新型時代，這就要求我們必須形成不斷求新求變的意識和習慣。不斷推陳出新，保持新鮮感緊貼時代潮流，而非時尚潮流。正如現代管理學之父德魯克所説：「一家企業的業務必須和時代一起發展，打上時代的印記。只有這樣經歷時代的洗禮，與社會有共鳴，才有意義。」

為此，本集團與時並進不斷通過資源整合與重組，進一步拓展創新業務的發展。我們將建立四大媒體平台，包括時尚、文化、藝術與商業平台。同時，我們將通過將平面與數碼和藝術空間體驗三者融合打造一個連接線上線下的新型的平台融合的媒體新商業模式，傳播一種新型流行文化的生活方式，為消費者提供具有幸福感的一站式的休閒空間和平台。空間即媒體，行為即內容。通過內容的策展形式，讓價值鏈的重組和整合轉變成平台，即內容空間小區電商。就是消費升級與新零售的概念。在後互聯網時代，將傳統人文精神和時尚文化創意與數碼文明進行交融，並轉化成數碼時代的生活美學落地。

平台媒體創新商業模式策略，特別是實體空間雜誌式體驗空間的發展模式將為集團帶來新的機遇和增長勢頭。我們相信在全球第二大經濟體的中國市場，作為中國大陸有二十七年歷史，最具影響力和知名度的高端集時尚、文化、藝術、商業等領域的領先地位的傳媒集團，在今年將迎來集團在香港主板上市十二週年之際一定會給股東帶來新的發展前景和收益，共同邁向新時代。

主席
邵忠
二零二一年五月二十日

CHAIRMAN'S STATEMENT

In 2021, The Company and its subsidiaries (the "Group") will continue to expand its innovative business model and further expand and improve the transformation and upgrade from print media to digital media and finally to platform media. The platform economy has become the growth point of China's new economy. To this end, the development strategy of Modern Media has gone through the transformation of three development stages.

CONSTANT MODERNIZATION AND CONSTANT EVOLUTION ARE OUR ETERNAL GOALS

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

We must firmly believe that development is the absolute truth!

Promote the transformation and innovation of business models with the development of technology, the influence of culture and the transformation of society.

Printing Technology – Digital Technology – Platform Technology
Distribution Network – Internet – Internet of Things
Information – Services – Sharing

KEEP BRINGING FORTH NEW IDEAS AND SEIZE THE BUSINESS OPPORTUNITIES OF POPULAR CULTURE. CREATIVE CULTURE IS OUR NEW GROWTH POINT.

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

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

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

Therefore, it is very important to constantly improve and develop the brand image of the company. Letting each colleague in Modern Media has a sense of pride and face is the work that I would be committed to. Just like me, I hope that our corporate is also a charming enterprise, a pioneering and iconic company with innovative spirit, creative energy, taste and quality.

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

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

Looking ahead, the management is convinced that the further development of the new platform media innovation business model strategy, especially the development model of the experience space of the physical space magazine will bring new opportunities and growth momentum to the Group. We believe that in the market in China, the world's second largest economy, as the most influential and well-known high-profile media group with 27 years of history in the mainland China, which has leading position in the fashion, culture, art, business and other fields, the Group will bring new development prospects and benefits to shareholders on the occasion of the 12th anniversary of the listing on the Main Board in Hong Kong this year, and move towards a new era.

Shao Zhong
Chairman
20 May 2021

公司花絮
COMPANY NEWS

現代傳播上市十載

2019年9月9日，中國媒體界的「黃埔軍校」現代傳播，中國最為國際化的領先藝術平台－現代傳播集團，於香港聯交所舉辦開市儀式，迎來了它上市10週年的紀念日。典禮由集團主席邵忠先生，以及新世界發展執行副主席兼K11集團創始人鄭志剛先生共同主持敲鑼儀式，並榮獲福建七匹狼實業股份董事長周少雄先生、中國銀行、招商永隆銀行、工銀國際、大華銀行等多家機構代表出席支持。

以求新去突破，以求變去發展

時代在前進，世界變化越來越快。自成立以來，現代傳播努力成長、完善發展，爭取走在時代的前沿，不斷探索文化藝術與社會和商業之間的理想關係模式。現代傳播藝術平台十年以來的多元化發展秉承了其理念「藝術融入生活，藝術重建社會」。

下一個十年，腳步不停，夢想不止

公司將不斷通過資源整合與重組，進一步拓展創新業務的發展。通過平面與數碼和空間體驗三者融合，打造一個連接線上線下的新型平台融合的媒體新商業模式，力爭為公司帶來新的機遇和增長點。

Modern Media Listed for a Decade

On 9 September 2019, the "Whampoa Military Academy" in the PRC media industry and the most international leading art platform in China, Modern Media Group, held its opening ceremony on the Hong Kong Stock Exchange to celebrate its 10th anniversary of listing. The ceremony was co-chaired by Mr. Shao Zhong, the Chairman of the Group, and Mr. Cheng Chi Kong, Adrian, the executive vice president of New World Development and the founder of K11 Group, and was supported with the attendance of Mr. Zhou Shaoxiong, Chairman of Fujian Septwolves Industry Co., Ltd., representatives from Bank of China, CMB Wing Lung Bank, ICBC International, UOB and other institutions.

Achieving Breakthroughs with Innovation and seeking Development with Changes

The era is advancing and the world is evolving rapidly. Since its inception, Modern Media has been striving to grow, improve its development, be at the forefront of the era, and constantly explore the ideal relationship model between culture and art, as well as the society and business. The diversified development of the Modern Media art platform over the past decade has adhered to its philosophy of "incorporating art into living and rebuilding the society with art".

Non-Stop Pace and Endless Dream in the Next Decade

The Company will continue to expand the development of its innovative business through integration and restructuring of resources. We will create a new business model of media that integrates online and offline new platforms in combination of graphic, digital and space experience, and strive to bring new opportunities and growth to the Company.

現代傳播和邵忠基金會參與捐助的V&A攝影中心開幕

倫敦維多利亞與阿爾伯特博物館(Victoria and Albert Museum, V&A)新的攝影中心將正式對外開放，現有的攝影空間被擴大了一倍，包括現代傳播畫廊(The Modern Media Gallery)的一系列新畫廊將成為圍繞媒介發展的“文化研究”的“櫥窗”，博物館攝影部的高級策展人馬丁· 巴恩斯(Martin Barnes)表示，“這是我們稱之為攝影中心的原因”。2018年10月，攝影中心由劍橋公爵夫人，同時也是博物館贊助人凱特·米德爾頓(Kate Middleton)主持揭幕，這次開幕標誌著花費300萬英鎊的第一階段項目完成，由現代傳播集團、邵忠藝術基金會和伯恩·施瓦茲家庭基金會(Bern Schwartz Family Foundation)等共同支持。

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

The new photography centre of the Victoria and Albert Museum (V&A) will be officially opened to the public, and the existing exhibition space will be doubled, The Modern Media Gallery will be included in the new collection of galleries, which will become a “window” of “cultural studies” around the development of media. Martin Barnes, a senior curator of the museum’s photography department, said, “This is why we call it a photography center.” In October 2018, the photography center was unveiled by Kate Middleton, the Duchess of Cambridge and also the patron of the museum. This opening marks the completion of the first phase of the ￡3 million project, which was jointly supported by Modern Media Group, the Shao Foundation and the Bern Schwartz Family Foundation.

創辦人，董事會主席兼首席執行官邵忠先生與英國王妃凱特·米德爾頓女士參觀現代傳播畫廊
Founder, Chairman & Chief Executive Officer Mr. Shao Zhong and British Princess Ms. Kate Middleton visit the Modern Media Gallery

HARVESTING WARMTH AND MOVING, THROUGH VISITING THE SPECIAL EDUCATION SCHOOL ON TEACHER'S DAY

Spread endless love, and help the disabled and devote to education. Modern Media Group has held hands with Modern Media Special Education School since 2009, and has been indispensable for 11 years. In the autumn season in September 2020, Mr. Shao Zhong, Mr. Alain Deroche, Ms. Yang Ying and the senior management of Modern Media Group flew to Songzi Special Education School (鬆滋市特殊教育學校), and at the same time, accompanied by Mr. Zhao Mao'an, director of the Songzi Municipal People's Congress, Liu Hongxing, the Standing Committee of the Municipal Committee and the head of the organization, and Zheng Kui, the director of the Municipal Education Bureau, the Group celebrated the 36th Teacher's Day together with the teachers and students of the school. 2020 is the 10th Anniversary of Songzi Modern Media Special Education School, and it is also the promise of Modern Media to fulfill the social heart. On 9 September, the eve of Teacher's Day, Mr. Shao Zhong was awarded the "Golden Pine Education Award" by the Songzi Municipal Committee, Hubei Province and the municipal government, and Mr. Shao expressed his initial intention to establish the "Modern Media Special Education Foundation" — Change of the world is not about the effort of minorities, but the little contribution by everyone.

MERCILESS PANDEMIC BUT AFFECTIONATE HUMANS, TIMELY HELP OVER THE DIFFICULTIES

The outbreak of the Novel Coronavirus (COVID-19) pandemic has made the winter of 2020 especially cold. Merciless pandemic but affectionate humans. After knowing that the funded Modern Media Special Education School in Songzi is in the provincial capital of the outbreak center, Mr. Shao Zhong, Mr. Mok Chun Ho, Neil and other directors from Modern Media Group sent warmth condolences and emotional assistance, which melted the winter cold.

To this end, the president of Modern Media Special Education School in Songzi sent a thank-you letter:

Dear Mr. Shao: How do you do? With the donation from your company, we ordered the non-contact temperature equipment for the school to be installed at the gate. For each class equipped with infrared thermometer, mercury thermometer, mobile uv disinfection lamp, 84 disinfectant and medical alcohol. Purchased protective clothing, disposable rubber gloves, small watering can and electric sprayer for the staff responsible for disinfection. We bought hand sanitizer and face mask for the whole school. With your support, we will do our best to prevent the epidemic in our school. Thank you very much!

教師節相約市特校，收獲溫暖與感動

傳播愛心無止境，扶殘助學見真情。現代傳播集團自2009年牽手特校，十一年來不離不棄，相伴至今。2020年9月，美景如畫的金秋時節，邵忠先生、Alain Deroche先生、楊瑩女士以及現代傳播集團的高管們千里迢迢飛赴鬆滋市特殊教育學校，並同時在鬆滋市人大主任趙茂安、市委常委、組織部長劉紅星、市教育局局長鄭奎等領導的陪同下，與全體特校師生共同歡度第36個教師節。

2020年是鬆滋現代傳播特殊教育學校十週年慶，也是現代傳播履行社會心的承諾。就在9月9日，教師節前夕，邵忠先生受湖北省鬆滋市市委、市政府頒發榮譽獎項"金松教育獎"，邵先生談到自己做"現代傳播特殊教育基金會"的初心 —— 世界的改變不是少數人做了很多，而是每個人都做一點點。

疫情無情人有情，雪中送炭渡難關

新型冠狀病毒感染的肺炎疫情來勢洶洶，讓二零二零年這個冬天顯得格外寒冷。但病毒無情人有情！在知曉資助的鬆滋市現代傳播特殊教育學校處於疫情爆發中心省會後，現代傳播集團邵忠先生、莫峻皓先生等集團董事千里送溫情，為鬆滋市現代傳播特殊教育學校送至慰問和傾情援助，融化了這個冬寒。

為此，鬆滋市現代傳播特殊教育學校校長發來感謝信：

尊敬的邵總：您好！貴公司捐贈的款項，我們為學校訂購了非接觸式體溫設備安裝在大門口。為每個班級配備了紅外線體溫計，水銀溫度計，移動式紫外消毒燈，84消毒液及醫用酒精。為負責消毒的工作人員購買了防護服，一次性橡膠手套，小噴壺，電動噴霧器。我們為全校師生購買了洗手液及口罩。在您們的支持下我們全力做好學校防疫工作，非常感謝！

Corporate Information

BOARD OF DIRECTORS
Executive Directors
Mr. Shao Zhong *(Chairman and Chief Executive Officer)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

Independent Non-executive Directors
Mr. Wang Shi (resigned on 8 December 2020)
Ms. Wei Wei (appointed on 8 December 2020)
Dr. Gao Hao (resigned on 20 May 2021)
Mr. Wan Jie (appointed on 20 May 2021)
Mr. Yick Wing Fat Simon

AUDIT COMMITTEE
Mr. Yick Wing Fat Simon *(Chairman)*
Mr. Wang Shi (resigned on 8 December 2020)
Ms. Wei Wei (appointed on 8 December 2020)
Dr. Gao Hao (resigned on 20 May 2021)
Mr. Wan Jie (appointed on 20 May 2021)

REMUNERATION COMMITTEE
Mr. Yick Wing Fat Simon *(Chairman)*
Mr. Wang Shi (resigned on 8 December 2020)
Ms. Wei Wei (appointed on 8 December 2020)
Dr. Gao Hao (resigned on 20 May 2021)
Mr. Wan Jie (appointed on 20 May 2021)

NOMINATION COMMITTEE
Mr. Wang Shi (resigned on 8 December 2020)
Ms. Wei Wei *(Chairman)* (appointed on 8 December 2020)
Dr. Gao Hao (resigned on 20 May 2021)
Mr. Wan Jie (appointed on 20 May 2021)
Mr. Yick Wing Fat Simon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE
Mr. Shao Zhong *(Chairman)*
Dr. Gao Hao (resigned on 20 May 2021)
Mr. Wan Jie (appointed on 20 May 2021)
Ms. Zhong Yuanhong

COMPANY SECRETARY
Ms. Chan Sze Ting *(ACG, ACS)*

AUTHORISED REPRESENTATIVES
Mr. Shao Zhong
Ms. Chan Sze Ting *(ACG, ACS)*

AUDITORS
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Unit 701, 7/F., Citicorp Centre
18 Whitfield Road, Causeway Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC
2/F, Block 2, 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
Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1–1103 Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1–1103 Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F Central Tower
28 Queen's Read Central
Central, Hong Kong

STOCK CODE
Stock code: 72

WEBSITE
www.modernmedia.com.cn

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF MANAGEMENT DISCUSSION AND ANALYSIS ON PERFORMANCE

The platform economy has become a growth point in China's new economy. By leveraging its four major media platforms in fashion, culture, art and business, and through three-dimensional integration and restructuring of resources, the Group strives to keep up with the times, constantly expands and innovates its business model, and further expands and improves the transformation and upgrading from print media to digital platform and then to art platform, moreover, the Group has strengthened the expansion of digital platform, especially art platform, and strived to bring new opportunities and growth points for the Group in the future. The art platform has expanded the art bonded warehousing, logistics and trade business with more broad commercial prospects. The Group purchased and established art trading bases and exhibition sales centers in Beijing Tianzhu Comprehensive Free Trade Zone, further enhancing the competition and market of art trade Share.

The outbreak of coronavirus pandemic ("COVID-19") in early 2020 has had a negative impact on the global economy. COVID-19 has caused a number of operational delays and disruptions to the Group's business and operations, including but not limited to working from home, and the social distancing policy has also caused delays or cancellations in a number of business meetings, opening exhibitions and sales activities, resulting in delayed delivery of recorded projects and signing of new contracts. Under this significant impact, the Group recorded a loss RMB71,590,000 in the first half of 2020, representing an increase of 106.9% over the same period of the previous year. In response to the impact of the epidemic, the Group actively took measures to vigorously promote the digital platform business and the art platform business, and with the upward effective cost control measures, the Group achieved a net profit of RMB1,615,000 in the second half of 2020, and its operating conditions have been steadily improved.

The segment results for 2020 are as follows:

	Print Media and Art Platform *RMB'000*	Digital Platform *RMB'000*	Total *RMB'000*
2020			
Reportable segment revenue	180,112	131,392	311,504
Reportable segment (loss)/profit	(89,139)	16,729	(72,410)
Segment EBITDA	(54,555)	36,924	(17,631)
	(Restated)	(Restated)	(Restated)
2019			
Reportable segment revenue	266,749	187,221	453,970
Reportable segment (loss)/profit	(8,454)	11,160	2,706
Segment EBITDA	25,869	28,673	54,542

Regarding the segment results, affected by outbreak of the COVID-19 pandemic in 2020, the results of each sector of the Company decreased by varying degrees compared with the same period in 2019. The segment revenue of print media and art platform decreased by 32.5% and revenue from the digital platform decreased by 29.8%, leading to a loss of RMB72,410,000 against a profit of RMB2,706,000 in the previous year.

Benefiting from the effective cost control measures implemented during the second half of 2020 in response to the COVID-19 pandemic, operation of sophisticated Apps and the expansion of its video business, as well as taking advantages of its economic of scale and artistic strength, the profit of the digital platform sector increased by 49.9% compared with 2019, and EBITDA increased by 28.8% compared with 2019.

BUSINESS REVIEW

Digital platform sector

At the end of the year, the “iWeekly” had accumulated approximately 14,939,000 users on smartphone and tablet PC. “iWeekly” continuously upgrades its content by incorporating the selected contents from multiple famous international media brands, which enriched its globalised contents and further enlarged the reader base and increased their adherence. “iWeekly” continued to be recognised as one of the most successful media applications in Chinese by Apple and Android platforms. “iWeekly” was also incorporated with an enhanced “daily news radio broadcast” function, the improvement is expected to enhance user frequency and to develop reader loyalty to the App.

“INSTYLE iLady” continued to be a comprehensive and informative platform for elite women. It has already accumulated more than approximately 7,305,000 users as at the end of 2020. 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 in popularity amongst the brand advertisers and is becoming one of the main revenue streams of our digital business. In the future, “INSTYLE iLady” will continue to utilise the influence of social media to create more interactions with users and continuously enhance its recognition and popularity in the market.

At the end of 2020, “Bloomberg Businessweek” also successfully raised the number of its smartphone and tablet PC users to approximately 12,877,000 people. “Bloomberg Businessweek” was selected as one of App Store’s best Apps of 2019. The iPhone version of “Bloomberg Businessweek” is among the best-selling newspapers on App Store newsstand and has been at the top of the list since 2015. In addition, with the high- quality content of Apps and boosted recognition among business elites, the team of “Bloomberg Businessweek” has also produced a documentary series named “Business Geography”, which was broadcasted on Tencent Video and amassed a cumulative click- through rate of 95,300,000 by the end of 2019. The success of this new attempt has given management greater confidence in exploring new business opportunities in new areas. In 2020, during the U.S. presidential election, “Bloomberg Businessweek” published more than 180 articles on the election, the App hit 3 million clicks and more than 600,000 App users were online on the peak day (November 4), which is three times the number of advertisements published in 2020. On the other hand, the WeChat article of “US presidential election begins to reveal the number of votes, the worst result is……” created a good result with more than 200,000 reading hits. Through the frequent notifications of hot events and the sharp increase of traffic, the marketing of Bloomberg Businessweek platform has been facilitated, and more advertising cooperation with new customers has been achieved. At the same time, the official App of “Bloomberg Businessweek” set up the live broadcast column of “Bloomberg Businessweek takes you to the Expo” for the first time. The chief editor personally led a number of reporters to conduct intensive and professional interviews and reports at the Expo, which won the praise of many exhibitors.

The Group hired a professional team to operate the "Nowness" video platform in the PRC, its creative and quality content had attracted an increasing number of subscribers to its WeChat account. It has also established rapidly its customer base including a group of high-end brand advertisers. In April 2019, the App Store successfully launched the "Nowness" App, which reached approximately 4,500,000 cumulative downloads by the end of 2020. In 2020, "Behind the Scenes: Zeng Guoxiang", a short video directed by the Nowness China Team, won the Best Director Award in the 23rd Shanghai International Film Festival. At the same time, four short films of the Nowness China Team, namely, "Behind the Scenes: Zeng Guoxiang", "The New Master: Opening the Door, Bajiquan-Wu Hao", "How Can I Look So Good", and "Application of Life: Airdrop", were listed in the top 20 of the short video unit, and as the recommended short films of the festival.

From "iWeekly", which is approaching 15,000,000 users, to "INSTYLE iLady", to "Bloomberg Businessweek", one of the best domestic Apps, to "Nowness", the global short film website platform which wins the favour of global luxury brands with creativity and quality. The Group has forged a diversified and multi-dimensional digital matrix. We are confident that the digital business will further generate considerable revenue in the future and achieve significant business growth.

Art platform sector

The contributed revenue of the art platform includes advertising revenue from art magazines, sales of artworks, income generated from arts-related events organised by the Group and the income received from the Group's base of modern art of cultural and creative space (which includes galleries, art kitchens, studios, book stores, photography studios and retail spaces).

A review on the Group's development path in the art platform sector shows no signs of stopping. The Group is no longer satisfied with covering only Chinese contemporary art in the Chinese world, in which the publication of the new edition of "LEAP" in both English and Chinese in 2010 has shifted our focuses from Chinese contemporary art to broader Chinese cultural themes. At the same time, we set our gaze into the international contemporary art scene and has become an important driving force for bringing Chinese contemporary art into the international art world; in 2013, the Group co-founded "Art Newspaper/Chinese Edition" with Umberto Allemandi & Co., which brings together international and domestic art-related information and professional opinions, and the digital version of "iArt" was updated daily to present to us the all-round artistic ecology from museums to the art markets, and from creation to reviews, as well as the connections and trends in art, society, culture and business; in 2014, the Group co-founded PHOTOFAIRS Shanghai with a joint venture set up by World Photography Organisation and Angus Montgomery Arts, which greatly promoted the development of video art; in 2018, the Group co-founded THE CULTIVIST with an international art club, which provides members with personalised services and customised artistic experiences with world-class professional arts resources, and allows them to travel around the world museums, galleries and art fairs; participate in international art social events and customised art tours. In the same year, Modern Media has established a strategic partnership with the world-renowned art and design museum, Victoria & Albert Museum, for its V&A studio opened in London, which has also set up the Modern Media Gallery in the V&A Image Centre.

With continuous development and upgrading of modern consumption, the spiritual and material pursuits of consumer groups have been diversified. While traditional media focuses on the digital channels, the Group has hopped out from the traditional paper and digital media framework to focus on the development of the art platform. Through the use of art marketing, along with the combination of brand and art, the Group locates the contact points between brands and high-end consumers, and at the same time enhances the brands' taste and spiritual values, cultivates potential consumers and improves the competitiveness of enterprises. In 2019, the Group endeavoured to create a multi-dimensional shared lifestyle platform ZiWU, designed a new form of space magazine and formed a three-dimensional matrix to satisfy the diversified consumer demand. The space magazine included titles such as ZiWU, Modern Art Base, Modern Studio, Modern Workshop, Modern Art Kitchen and others, which continues to introduce high-quality themed exhibitions and events on art, design, fashion, music and food and attracted a great number of visitors including luxury brand designers and senior executives, international gallery owners and artists, as well as film and television stars. On the whole, ZiWU restructured the value chain and transformed resource integration into a platform through curatorial forms, and has envisioned a three-dimensional, experiential, mobile, interactive and online form of magazine. In addition, the Group acquired in 2019 a majority of shareholdings of "ArtReview" and "ArtReview Asia", which are international authoritative platforms with 70 years of history, in order to lay the foundation for the Group's development in the art platform sector including the Group's integration of forum, exhibitions and other art events, as well as cross-regional and inter-disciplinary collaboration. The management believes that the art platform sector will become an indispensable source of revenue and a profit center in the future.

Print media sector

The Group mainly publishes weekly/bi-weekly and monthly/bi-monthly magazines in the PRC and Hong Kong. The contents included areas such as lifestyle, news, finance, culture, art and health.

To cope with the tough condition in the aforesaid advertising market of magazine category, our flagship magazine, "iWeekly", although having experienced a decrease in revenue, still ranked No. 1 in terms of revenue in the 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", continued to be one of the favourite women's style magazines in the market. Although it suffered from the industrial depression, it was still one of the popular choices of those luxury brand advertisers. A series of market activities organised by "INSTYLE" has been well received by the fashion industry, the film industry and the brand customers. The reader's club of "INSTYLE", "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 year and the club membership fees had created stable income to the Group. In 2020, the cover of the 611th InStyle issue featured Liu Yuxin, the winner of the talent show "Youth with You 2". As the first personal magazine cover of Liu Yuxin in the Chinese market, the first physical magazine InStyle Icon has achieved extraordinary market effect since it came into the market: the first physical magazine InStyle Icon had a limited edition of 10,000 copies. Meanwhile, InStyle sold more than 100,000 copies on the same day. At present, the sales volume is still breaking the record of T-mall, being the single publication of the Group.

"Bloomberg Businessweek", 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" (Traditional Chinese edition) had successfully organised 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. It is expected that "Bloomberg Businessweek" (Traditional Chinese edition) will host more marketing activities in the coming year to increase its reputation and income sources.

Other monthly publications from the Group's operations in the PRC and Hong Kong have recorded varying advertising revenues, among which the advertising revenue of magazines such as "Arbiter" and "LOHAS" increased over the previous year, while the revenue of other monthly publications decreased along the overall downward trend of the Group's print media business. The Group will continue to review the monthly publications portfolio to optimise the matrix of its print content, aiming for better operating results in 2021 and in the future.

(A) BUSINESS OUTLOOK

The COVID-19 outbreak in China and other regions of the world will continue to pose significant economic and operational challenges. The Group remains on high alert for the operational impact of the outbreak and takes any necessary measures to mitigate the impact. In 2021, the Group will continue to actively expand its customer base and identify potential investment opportunities and other business opportunities, expand innovative business models, further expand and improve the transformation and upgrade from print media sector to digital platform sector and to art platform sector. The Group keeps pace with the times through the integration and reorganisation of resources to further expand 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, thereby bringing new opportunities and growth points to the Group.

The digital platform 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 2019, 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 continue to utilise the brand of "Nowness" to develop a series of extended businesses, including opening brand experience stores, launching derived products, establishing theme restaurants, organising recording-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 digital platform to achieve satisfactory performance in 2021.

Businesses of the art platform sector 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. Art platform sector businesses will be extended to the operation of art exhibition, high-tech art club, art education, art travel, art derivatives, etc.

The Group acquired in 2019 a majority of shareholding in "ArtReview" and "ArtReview Asia" which are both internationally authoritative art platforms with 70 years of history. The Group supports the innovation and development of "ArtReview" and "ArtReview Asia", especially in the expansion of their art platform sector, and will also jointly engage in forums and exhibitions in the art fields, as well as cross-regional and interdisciplinary collaborations. The Power 100 (藝術力量百人榜), organised by "ArtReview", is an authoritative ranking of the most influential figures in the international contemporary art world. It has been successfully held for 19 sessions so far, and the Group will continue to support the release of this year's list.

The Group continues to focus on the development of innovative businesses and is committed to creating a new media business model by integrating print media platform with digital platform and art platform to create a new integrated platform integrating online and offline platforms. As the first membership-based cultural and artistic complex project, ZiWU has started its trial operation in Shanghai. The businesses include artistic restaurant, artistic photography store, membership book store, art gallery and art education classes. It links the online subscribers and offline readers with an innovative membership service system, 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, which creates a new paradise "Nest" for urban cultural omnivores. ZiWU is actually a conception of integrating print, online and space magazines, which is a three-dimensional, experiential, mobile, interactive and networked commercial practice of the magazine's contents by curation. The Group acquired 51% interest in Shanghai Shangzhao Group in 2019. Shanghai Shangzhao Group is principally engaged in the operation of galleries and cafes, organisation of photography exhibitions, operation of online shops 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 for cultural convenient stores to create a new business platform for cultural enthusiasts by developing forms such as ZiWU.

Looking ahead, the management believes that by deepening the implementation of the new media platform innovation business model strategy, it will bring new opportunities and growth momentum to the Group. As a high-profile media group with a history of 27 years in China, 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 we continue to work hard to overcome all kinds of difficulties, always with high standards, high quality, high efficiency requirements, keep up with the tide of the times, for modern communication to create more brilliant achievements.

(B) FINAL DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

(C) PRIOR YEAR ADJUSTMENT

In preparing the consolidated financial statements of the Group for the year ended 31 December 2020, the Management has restated certain figures of the previously issued consolidated figures. The restatement made relates to the recognition of Art Review Limited ("Art Review"), a 85%-owned subsidiary of the Company in the UK where the Management considered that its acquisition should have been completed in June 2019. The Group entered into a sale and purchase agreement (the "SPA") for the acquisition of Art Review (the "Acquisition") and paid ￡100,000 (12.5% and equivalent to approximately RMB879,000) deposit in May 2019. The board of directors of the Company (the "Board") and the Audit Committee initially were of the view that since the remaining consideration of ￡700,000 (87.5% and equivalent to approximately RMB6,154,000) for the Acquisition was not yet been paid as at 31 December 2019, the payment of deposit was recorded as a prepayment in the consolidated statement of financial position of the Group as at 31 December 2019 and Art Review was not regarded as a subsidiary of the Group for the year ended 31 December 2019. However, due to the COVID-19 pandemic and lockdown restrictions in the UK and the change of accounting in charge of Art Review, the Group experienced communication problem with Art Review and could not ascertain status of the Acquisition. In February 2021, based on the full facts and circumstances available to the Group during the audit of the financial statements of the Group for the year ended 31 December 2020, the Board and the Audit Committee are of the view that it is more justified that Art Review should have been included as a subsidiary of the Group for the year ended 31 December 2019 because the SPA was entered and the share transfer documents were stamped and completed in June 2019, representatives of the Group were appointed as additional board members of Art Review in June 2019 and the change of significant controller of Art Review to the Company with effect from 30 June 2019 was registered in December 2020. Although the consideration of the Acquisition has not been fully paid, the Board and the Audit Committee having considered the above factors considered that under the applicable accounting principle and under the concept of substance over form (i.e. the Group became the substantial shareholder and able to exercise control over Art Review), Art Review should have been regarded as a subsidiary of the Company since June 2019. For details of effect of such prior year adjustment on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and consolidated statement of financial position as at 31 December 2019, please refer to note 3 of the notes to the consolidated financial statements of this Annual Report on page 107.

(D) BOOK CLOSURE

The Annual General Meeting (the "AGM") of the Company is scheduled on 30 June 2021. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 25 June 2021 to 30 June 2021, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrars in Hong Kong, Link Market Services (Hong Kong) Pty Limited of Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, for registration not later than 4:30 p.m. on 24 June 2021.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group recorded a net cash inflow in operating activities of approximately RMB60,758,000 (2019: RMB45,179,000). The Group recorded a net cash outflow in investing activities of approximately RMB25,603,000 (2019: RMB26,095,000). The cash outflow of the Group from financing activities amounted to RMB45,536,000 (2019: inflow RMB5,959,000).

Borrowings and gearing ratio

As at 31 December 2020, the Group's outstanding borrowings was approximately RMB103,301,000 (2019: RMB131,790,000). The total borrowings comprised secured bank loans of approximately RMB98,244,000 (2019: RMB109,697,000) and other unsecured borrowings of approximately RMB5,057,000 (2019: RMB22,093,000). The gearing ratio as at 31 December 2020 was 14.8% (31 December 2019: 22.5%), which was calculated based on the net debt divided by total capital at the end of the year and multiplied by 100%. Net debt is calculated as total borrowings less cash and cash equivalents and investments at fair value through profit or loss. Total borrowings include borrowings and lease liabilities. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the year included expenditure on purchase of new office property, maintenance of leased properties, and prepayments for property, plant and equipment of approximately RMB4,451,000 (2019: purchase of new office property, maintenance of leased properties, payments for software development in progress and prepayments for property, plant and equipment of approximately RMB15,807,000).

Saved as disclosed as above, the Group have a capital commitment of purchasing of property, plant and equipment amounting to RMB 2,340,000 (2019: RMB3,303,000) as at 31 December 2020.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks the Group's major printing supplier to secure the banking facilities and printing credit line respectively, as at 31 December 2020 and 2019, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2020, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of RMB130,311,000 (including in investment properties of RMB37,700,000 and property, plant and equipment of RMB92,611,000) (2019: RMB137,560,000 (including in investment properties of RMB37,640,000 and property, plant and equipment of RMB99,920,000)) and/or was guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC, Hong Kong and the UK and majority of the transactions are denominated and settled in Renminbi ("RMB"), Hong Kong dollars ("HK$") or Great British Pounds ("GBP"), being the functional currency of the group entities to which the transactions relate. Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2020 and 2019, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 31 December 2020, the Group had a total of 414 staff (2019: 488 staff), total staff costs (including Directors' remuneration) recognised in profit or loss were approximately RMB98,047,000 (2019: RMB141,452,000). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee of the Company. The reduction in head counts was due to the rationalization of human resource structure in order to improve the corporate efficiency.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PRE-EMPTIVE RIGHTS

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

Corporate Governance Report

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

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited. This report discloses how the Company has applied the principles of the CG Code for the year ended 31 December 2020.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

THE BOARD OF DIRECTORS

The board of Directors of the Company (the "Board") recognises its responsibility to act in the interests of the Company and its Shareholders as a whole. As at 31 December 2020, the Board has seven Directors: four Executive Directors and three Independent Non-executive Directors. Independent Non-executive Directors represent more than one-third of the Board.

During the year ended 31 December 2020, the Directors of the Company are:

Executive Directors:
Mr. Shao Zhong *(Chairman, Chief Executive Officer and chairman of the Environmental, Social and Governance ("ESG") Committee)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques
Mr. Mok Chun Ho, Neil *(resigned as executive Director and member of the ESG Committee on 9 April 2020)*

Independent Non-executive Directors:
Mr. Wang Shi *(resigned as Independent Non-executive Director and chairman of the Nomination Committee and member of the Audit Committee and Remuneration Committee on 8 December 2020)*
Dr. Gao Hao *(member of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee)*
Mr. Yick Wing Fat Simon *(chairman of the Audit Committee and Remuneration Committee and member of the Nomination Committee)*
Ms. Wei Wei *(appointed as Independent Non-executive Director, chairman of the Nomination Committee, member of the Audit Committee and Remuneration Committee on 8 December 2020)*

After the Reporting Period, Dr. Gao Hao resigned as an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee on 20 May 2021, and Mr. Wan Jie was appointed as an Independent Non-executive Director and a member of the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee on 20 May 2021.

The biographies of all the Directors, including their relationships (if any), are set out on pages 67 to 70 of this Annual Report. Mr. Shao Zhong is the Chairman of the Board and the Chief Executive Officer of the Group, who oversees the daily operation and management and has also actively involved in the Group's restructuring, business transformation, development of art business and other development of the Group's business. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

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

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

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

Board Proceedings

The Board holds regular meetings quarterly, and also meets at such other times as are necessary. Agenda of Board meetings are presented to the Directors for comments and approval and notices of regular Board meetings are sent at least 14 days before the meetings. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to review and comment on the Board minutes within a reasonable time after the meetings to maintain accurate records of Board discussions and decisions. The number of Board meetings held and meetings attended by each of the Directors during the year were as follows:

Name of Director	Meetings attended	Meetings held during 2020
Executive Directors:		
Mr. Shao Zhong	4	4
Ms. Yang Ying	4	4
Mr. Li Jian	4	4
Mr. Deroche Alain, Jean-Marie, Jacques	4	4
Mr. Mok Chun Ho, Neil *(Resigned on 9 April 2020)*	1	4
Independent Non-executive Directors:		
Dr. Gao Hao	4	4
Mr. Yick Wing Fat Simon	4	4
Ms. Wei Wei *(Appointed on 8 December 2020)*	0	4
Mr. Wang Shi *(Resigned on 8 December 2020)*	0	4

Apart from the abovementioned Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without presence of executive Directors during the year.

Notes:

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

2. The Annual General Meeting for year 2019 was held on 28 May 2020 and all the 4 Executive Directors and 2 Independent Non-executive Directors (namely, Mr. Yick Wing Fat Simon and Dr. Gao Hao) then attended the said Annual General Meeting.

3. Ms. Wei Wei was appointed as Independent Non-executive Director on 8 December 2020 and there was not any Board meeting convened after that date during the year.

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

Appointment, Re-election and Removal of Directors

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

Directors who are appointed to fill vacancies are subject to re-election at the first Annual General Meeting of the Company after his or her appointment. In addition, every Director, including every Independent Non-executive Director, shall retire from office by rotation at least once every three years. One-third of the Directors are required to retire by rotation from office at every Annual General Meeting under the Company's articles of association (the "Articles"). A retiring Director is eligible for re-election.

Induction and Continuing Development of Directors

The Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The training records of each director for the year were as follows:

Name of Director	Reading materials relevant to the Company's business or to their duties and responsibilities	Attending training courses on the topics related to corporate governance or regulations
Executive Directors:		
Mr. Shao Zhong	✓	✓
Ms. Yang Ying	✓	✓
Mr. Li Jian	✓	✓
Mr. Deroche Alain, Jean-Marie, Jacques	✓	✓
Mr. Mok Chun Ho, Neil *(Resigned on 9 April 2020)*	✓	✓
Independent Non-executive Directors:		
Mr. Wang Shi *(Resigned on 8 December 2020)*	✓	✓
Dr. Gao Hao *(Resigned on 20 May 2021)*	✓	✓
Mr. Yick Wing Fat Simon	✓	✓
Ms. Wei Wei *(Appointed on 8 December 2020)*	✓	✓

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

Remuneration of Directors and Senior Management

The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the year are set out, on an individual and named basis, in note 13 to the consolidated financial statements of this Annual Report on page 150. The remuneration policy of the Group is set out on page 64 of this Annual Report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors & Senior Management" in this Annual Report by band is set out in note 39 to the consolidated financial statements of this Annual Report on page 178.

Independence of Independent Non-executive Directors

The Board has received from each of the Independent Non-executive Directors a confirmation of his/her independence according to the guidelines set out in Rule 3.13 of the Listing Rules.

The Board is of the view that all Independent Non-executive Directors are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and the Board committees.

Other matters relating to the Board

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

CHAIRMAN AND CHIEF EXECUTIVE

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

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

The balance of power and authority is also ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. There is a strong independent element in the composition of the Board. Out of the 7 Board members, 3 are Independent Non-executive Directors. The Board believes that the structure was conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently and the interests of the Shareholders will be adequately and fairly represented. The Board believes that Mr. Shao's appointment to the posts of Chairman and the Chief Executive Officer was beneficial to the business prospects and management of the Company.

BOARD COMMITTEES

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

AUDIT COMMITTEE

The Company has established the Audit Committee in 2009 with written terms of reference. As at 31 December 2020, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Ms. Wei Wei and Dr. Gao Hao. After the Reporting Period, Dr. Gao Hao resigned as member of the Audit Committee on 20 May 2021, and Mr. Wan Jie was appointed as member of the Audit Committee on 20 May 2021.

Corporate Governance Report *(continued)*

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

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

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

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

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

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

  (ii) Major accounting estimates and judgmental areas;

  (iii) Significant adjustments following the audit;

  (iv) The going concern assumption;

  (v) Compliance with accounting standards; and

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

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

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

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

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

Name of Director	Meetings attended	Meetings held during 2020
Mr. Yick Wing Fat Simon *(Chairman)*	3	3
Mr. Wang Shi *(Resigned on 8 December 2020)*	0	3
Dr. Gao Hao	3	3
Ms. Wei Wei *(Appointed on 8 December 2020)*	0	3

Note:

Ms. Wei Wei was appointed as a member of the Audit Committee on 8 December 2020 and there was not any Audit Committee meeting convened after that date during the year.

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2020:

(a) Considered and made recommendation to the Board on the change of the external auditors;

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

(c) Discussed with the external auditors regarding the nature and scope of the 2020 audit;

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

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

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

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2020.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2020.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in 2009 with written terms of reference. As at 31 December 2020, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Ms. Wei Wei and Dr. Gao Hao. After the Reporting Period, Dr. Gao Hao resigned as member of the Remuneration Committee on 20 May 2021, and Mr. Wan Jie was appointed as member of the Remuneration Committee on 20 May 2021. The primary duties of the Remuneration Committee are to make recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company by making reference to market rates, their duties and responsibility to determine on behalf of the Board the specific remuneration packages and conditions of employment for all the Executive Directors and senior management of the Company.

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

Name of Director	Meetings attended	Meetings held during 2020
Mr. Yick Wing Fat Simon *(Chairman)*	2	2
Mr. Wang Shi *(Resigned on 8 December 2020)*	0	2
Dr. Gao Hao	2	2
Ms. Wei Wei *(Appointed on 8 December 2020)*	0	2

Note:

Ms. Wei Wei was appointed as a member of the Remuneration Committee on 8 December 2020 and there was not any Remuneration Committee meeting convened after that date during the year.

During the year ended 31 December 2020, the Remuneration Committee has performed the following work:

(a) Reviewed and discussed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management members;

(b) Reviewed the remuneration of the Executive Directors; and

(c) Recommended the Board on the remuneration and terms for the appointment of Ms. Wei Wei as Independent Non-executive Director.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2020 are set out in notes 13 and 39 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in 2012 with written terms of reference. As at 31 December 2020, the Nomination Committee comprises three Independent Non-executive Directors, namely Ms. Wei Wei (Chairman), Dr. Gao Hao and Mr. Yick Wing Fat Simon. After the Reporting Period, Dr. Gao Hao resigned as member of the Nomination Committee on 20 May 2021, and Mr. Wan Jie was appointed as member of the Nomination Committee on 20 May 2021. The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of Directors having regard to the balance of skills and experience appropriate to the Group's business and the Board diversity.

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

Name of Director	Meetings attended	Meetings held during 2020
Ms. Wei Wei *(Chairman) (Appointed on 8 December 2020)*	0	2
Mr. Wang Shi *(Resigned on 8 December 2020)*	0	2
Mr. Yick Wing Fat Simon	2	2
Dr. Gao Hao	2	2

Note:

Ms. Wei Wei was appointed as a member of the Nomination Committee on 8 December 2020 and there was not any Nomination Committee meeting convened after that date during the year.

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

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

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

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

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

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

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

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

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

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

During the year ended 31 December 2020, the Nomination Committee has performed the following work:

(a) Reviewed and discussed the structure and composition of the Board;

(b) Reviewed and discussed the policy for the nomination of Directors;

(c) Assessed the independence of the Independent Non-executive Directors; and

(d) Recommended the Board on the appointment of Ms. Wei Wei as Independent Non-executive Director, member of the Audit Committee and the Remuneration Committee of the Company and chairman of the Nomination Committee of the Company.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the ESG Committee in 2016 with written terms of reference. As at 31 December 2020, the ESG Committee comprises one Executive Director, namely Mr. Shao Zhong (Chairman), and one Independent Non-Executive Director, namely Dr. Gao Hao and a senior management member, namely Ms. Zhong Yuan Hong. The primary duties of the ESG Committee are (i) to formulate and implement the ESG policies and strategies; (ii) to set-up the key performance indicators and monitor the progresses and the end-results; and (iii) to review and revise the ESG policies to ensure the effectiveness of implementation.

The duties of the ESG Committee, as set out in its terms of reference, adhere to the relevant CG Code. The ESG Committee shall meet at least once a year and at such other time as is necessary. Any Committee member may convene a meeting of the ESG Committee. The ESG Committee did not hold any meetings during the year.

Board Diversity Policy

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

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

As at 31 December 2020, the Board comprises seven Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in particular, in terms of professional expertise and experience, age, culture and ethnicity. In addition, the Board has two female members namely, Ms. Yang Ying and Ms. Wei Wei which brings diversity to the Board.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

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

For the year ended 31 December 2020, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Government Report.

INTERNAL CONTROLS

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

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

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2020.

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

EXTERNAL AUDITOR

During the year, Grant Thornton Hong Kong Limited ("Grant Thornton") resigned as the external auditor of the Company with effect from 10 July 2020 and ZHONGHUI ANDA CPA Limited ("ZHONGHUI ANDA") was appointed as the new auditors to fill the casual vacancy caused by the resignation of Grant Thornton to hold the office as auditors of the Company until the conclusion of the next Annual General Meeting of the Company.

During the year ended 31 December 2020, ZHONGHUI ANDA provided the following audit and non-audit services to the Group:

	RMB'000
Audit services	1,180
Other non-audit services	100
Total	1,280

ZHONGHUI ANDA will retire and offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company.

A statement by ZHONGHUI ANDA about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report section of this Annual Report on pages 95 to 98.

COMPANY SECRETARY

During the year ended 31 December 2020, Mr. Mok Chun Ho, Neil resigned as the Company Secretary of the Company and Ms. Chan Sze Ting *(ACG, ACS)* ("Ms. Chan") was appointed as the Company Secretary of the Company on 1 April 2020.

As Ms. Chan has been engaged and appointed by the Company as the Company Secretary in the capacity of an external service provider, the Company has designated Mr. Shao Zhong, Chairman of the Board, to be the contact person of Ms. Chan pursuant to Code Provision F.1.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Ms. Chan has attained no less than 15 hours of relevant professional training during the year.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

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

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

1. Procedure for Shareholders to convene an extraordinary general meeting

1.1 The following procedures for Shareholders to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles:

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

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

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

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

2. Procedure for raising enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholder Communication Policy on 29 February 2012.

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

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

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

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

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

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

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

(2) Notice of not less than 14 clear days in writing if the Proposal requires approval in meeting other than an Annual General Meeting.

Up to the date of this Annual Report, no Shareholder has requested the Company to convene an EGM.

The Company's next Annual General Meeting will be held on 30 June 2021. For details, please refer to the notice of the Annual General Meeting published on the Company's and the Stock Exchange's websites.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association of the Company were amended pursuant to a special resolution passed on 28 May 2012. The latest Articles are available on the HKEx's and Company's websites. There was no change to the Company's Articles during the year 2020.

CONCLUSION

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

Directors' Report

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

BUSINESS REVIEW

Key financial and business performance indicators

The key financial and business performance indicators comprise profitability growth, return on equity, dividend growth and gearing ratio. Details of profitability analysis are shown in "Management Discussion and Analysis" section of this Annual Report. The Group's return on equity, based on loss for the year to net assets, decreased from -0.3% to -18.6% in the year under review as compared to the previous year, which was mainly due to the global economic downturn caused by the outbreak of COVID-19. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2020 to preserve more financial resources in response to the market stagnancy. The Group's gearing ratio as at 31 December 2020 was 14.8% (31 December 2019: 22.5%), which was calculated based on the net debt divided by total capital at the end of the year and multiplied by 100%. The Group will continue to safeguard its capital adequacy position, whilst to maintain a balance between business growth and risk management.

Environmental, social and governance

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

In 2016, the Board established the ESG Committee to formulate the policies and implement the procedures to deal with environmental, social and governance affairs of the Group. Please refer to the ESG Report on pages 71 to 94 of this Annual Report.

Environmental protection

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

Workplace quality

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

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

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

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

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

Compliance with laws and regulations

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

Relationships with key stakeholders

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

Directors' Report *(continued)*

Employees

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

Customers

The Group's principal customers are from 4A advertising companies and branded customers which place their advertisements on our print and digital media products. The Group has the mission to provide excellent and creative customer services whilst maintaining our long-term profitability, business and assets growth. Various means have been established to strengthen the communication between the customers and the Group in order to provide excellent customer services, which in turn achieves further market penetration and expansion.

Service vendors

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

Regulators

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

Shareholders

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

Principal risks and uncertainties

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

The Group's principal business activities comprise the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation. It will be exposed to a variety of key risks including foreign currency risk, credit risk, liquidity risk and interest rate risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 6 to the consolidated financial statements of this Annual Report.

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

Future business development

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

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

On 10 March 2017, the Company entered into an investment agreement (the "Investment Agreement") with Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), pursuant to which each of the Company and Septwolves Invest have agreed to subscribe for certain shares of Modern Digital Holdings Limited ("MDHL"), a wholly-owned subsidiary of the Company. The Company is of the view that, apart from providing an immediate funding and increasing the liquidity of the Group, introducing Septwolves Invest, whose ultimate controlling shareholders have the expertise, rich resources and networking, as a strategic shareholder of MDHL would optimise sales network of MDHL, and assist MDHL in developing and strengthening its long-term business development by leveraging on the financial strength and extensive business networks of Septwolves Invest (and its associated corporations). For further details of the investment, please refer to the announcement of the Company dated 10 March 2017, 22 March 2017, 4 August 2017 and 13 July 2019, respectively. Pursuant to the Investment Agreement, the Company has undertaken to Septwolves Invest that the expected revenue after tax of MDHL and its subsidiaries (collectively, "MDHL Group") for each of the three years ending 31 December 2017, 2018 and 2019 will be no less than HK$140 million, HK$162 million, and HK$186 million, respectively. If MDHL fails to achieve the above expected annual performance, Septwolves Invest shall be entitled, on or before 30 April 2020, to require the Company to acquire all shares in MDHL then held by Septwolves Invest. Based on the audited consolidated financial statements of MDHL Group, its revenue after tax for the year ended 31 December 2019 amounted to approximately RMB183.1 million (equivalent to approximately HK$207.7 million). As the revenue after tax of MDHL Group for the year ended 31 December 2019 was in excess of HK$186 million, the expected annual performance for such year as provided under the Investment Agreement was fulfilled.

Pursuant to an investment agreement entered into between the Group, 上海尚照電子商務有限公司(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,上海眾社文化發展有限公司(Shanghai Zhongshe Cultural Development Co., Ltd.*), were established 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, all under the "BROWNIE Art Photography" brand in the PRC. The Acquisition was completed on 30 June 2019. Details of the Acquisition were disclosed in the Company's announcements dated 8 and 18 April 2019 respectively.

According to the investment agreement entered into by the Group, Art Review (an independent third party) and ART VIEW LTD (an independent third party) on 10 June 2019, the Group agreed to subscribe for 85% of the registered capital of Art Review at a price of GBP 800,000. Art Review was established as a limited liability company in the United Kingdom. It mainly publishes and sells ArtReview, the world's top art magazine with a history of 70 years, and ArtReview Asia, the only contemporary art review magazine in Asia with a history of nearly 20 years. It provides services such as exhibition and event planning and implementation. The said acquisition was completed on 30 June 2019.

The aforementioned acquisitions were was made to broaden the income base of the Group to facilitate the development of the Group's art business.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The particulars and activities of the Company's subsidiaries are set out in note 43 to the consolidated financial statements of this Annual Report. An analysis of the Group's performance for the year by business segments is set out in note 7 to the consolidated financial statements of this Annual Report.

FINANCIAL RESULTS AND DISTRIBUTABLE RESERVES

The Group's financial performance for the year ended 31 December 2020 and the financial position of the Company and the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 99 to 102 and page 171 of this Annual Report.

Movements in the reserves of the Company and amounts available for distribution to the Shareholders are disclosed in note 34 to the consolidated financial statements of this Annual Report. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 103 of this Annual Report.

DIVIDEND POLICY

The Board adopted a dividend policy (the "Dividend Policy") on 22 March 2019. The Directors consider the main objectives of the Dividend Policy are to provide sustainable returns and a stable dividend payment to the Shareholders. The basic policy is to pay interim and final dividends in each financial year.

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

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

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

- liquidity position of the Company;
- financial results;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;
- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

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

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

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

SHARE CAPITAL

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

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements of this Annual Report.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 27.1% and 15.8% of the Group's total purchases for the year ended 31 December 2020 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 37.8% and 11.3% of the Group's total sales for the year ended 31 December 2020 respectively.

As far as the Directors are aware, neither the Directors, their close associates, nor Shareholders who own more than 5% of the Company's number of issued shares as at 31 December 2020 had any interest in any of the five largest suppliers and customers disclosed above.

FIVE YEAR SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 184 of this Annual Report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors who held office during the Reporting Period and as at the date of this Directors' Report were:

Executive Directors
Mr. Shao Zhong *(Chairman)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques
Mr. Mok Chun Ho, Neil/ *(resigned on 9 April 2020)*

Independent Non-executive Directors
Mr. Yick Wing Fat Simon
Mr. Wang Shi *(resigned on 8 December 2020)*
Ms. Wei Wei *(appointed on 8 December 2020)*
Dr. Gao Hao *(resigned on 20 May 2021)*
Mr. Wan Jie *(appointed on 20 May 2021)*

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the Directors and chief executives of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code 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 held	Approximate % of number of issued ordinary Shares*
Mr. Shao Zhong ("Mr. Shao")	The Company	Beneficial owner	327,002,000	74.60%
Ms. Yang Ying	The Company	Beneficial owner	110,000	0.03%
Mr. Deroche Alain, Jean-Marie, Jacques	The Company	Beneficial owner	94,000	0.02%

* As at 31 December 2020

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 1)	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 2)	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 3)	10%
Mr. Shao	上海格致廣告有限公司(Shanghai Gezhi Advertising Co., Ltd.*, "Shanghai Gezhi")	Interest of controlled corporations (Note 4)	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 5)	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 6)	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 7)	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 8)	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 9)	100%
Mr. Shao	廣州現代移動數碼傳播有限公司(Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited.*, "Guangzhou Xiandai")	Interest of controlled corporations (Note 10)	100%
Mr. Shao	上海森音信息技術廣告有限公司(Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Interest of controlled corporations (Note 11)	100%

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

Notes:

1. 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.

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

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

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

10. 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.

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

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 December 2020, the Company had been notified of the following Shareholders other than the Directors having interests in the Shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares held	Approximate % of issued ordinary Shares*
Madam Zhou Shao-min (Note 1)	Interest of spouse	327,002,000	74.60%
United Achievement Limited (Note 2)	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. (Note 2)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC (Note 2)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. (Note 2)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. (Note 2)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus X, LLC (Note 2)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%

* as at 31 December 2020

Notes:

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

2. 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 OPTION SCHEME

The share option scheme (the "Expired Scheme") was conditionally adopted by a resolution in writing passed by the then sole Shareholder on 24 August 2009. The Expired Scheme has expired on the tenth anniversary of such adoption date. Under the Expired Scheme, the Directors may grant options to subscribe for the Shares to eligible participants, including without limitation employees of the Group, Directors and its subsidiaries. No share option was granted, exercised, cancelled or had lapsed under the Expired Scheme during the year. No share option was outstanding under the Expired Scheme as at 31 December 2020. Following the expiry of the Expired Scheme, no further share option may be or has been granted thereunder.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

None of the Director (including their spouses and children below 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Investment in online search services held by Mr. Shao

As at 31 December 2020, Mr. Shao, the Executive Director and the controlling Shareholder, held about 6.4% equity interest in a company (the "Online Search Company") incorporated in Beijing, the PRC. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investments in the said business before the Group's commencement of the digital media business.

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

Save as disclosed above, none of the Directors has any interest in a business which competes or is likely to compete with the business of the Group during the year.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

Pursuant to article 188 of the Articles, every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the year ended 31 December 2020.

The Company has taken out and maintained directors' liability insurance throughout the year ended 31 December 2020, which provides appropriate cover for the Directors.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Certain connected transactions took place during the year ended 31 December 2020 and/or subsisted as at 31 December 2020:

Contractual Arrangements

2009 Arrangements

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

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

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

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

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

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

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

2011 Arrangements

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

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

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

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

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

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

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

2015 Arrangements

On 10 July 2015, the Group, through its wholly owned subsidiaries, entered into the 2015 Agreements (as shown below), collectively with the 2009 Arrangements and the 2011 Arrangements (the "Contractual Arrangements"), with Mr. Shao (a Director and substantial Shareholder), Guangzhou Xiandai, Linkchic (Beijing) Network Technology Co., Ltd* (每城美客(北京)網科技有限公司) ("Linkchic") and Guangzhou Modern Video Media Co., Ltd* (廣州摩登視頻傳媒有限公司) ("Guangzhou Modern Video") (Linkchic and Guangzhou Modern Video, collectively, the "Target Subsidiaries", as defined in the 2015 Annual Report dated 14 March 2016 (the "2015 Annual Report")). The 2015 Arrangements include:

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

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

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

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

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

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

As at 31 December 2020, there were in total 13 operating companies established in the PRC ("OPCOs" and each an "OPCO"), including (i) 9 companies (the "Printed Media OPCOs") which carried on the printed media business, and (ii) 4 companies (the "Digital Media OPCOs") which carried on the digital media business.

The Printed Media OPCOs

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

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

The Digital Media OPCOs

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

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

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

OPCO's significance and financial contribution to the Group

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

	Significance and contribution to the Group		
	Revenue for the year ended 31 December 2020	Net Loss for the year ended 31 December 2020	Total assets as at December 2020
Printed Media OPCOs	19.62%	19.77%	58.34%
Digital Media OPCOs	13.41%	15.21%	9.44%

Revenue and assets subject to the Contractual Arrangements

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

	Revenue For the year ended 31 December 2020 RMB'000	Total assets As at 31 December 2020 RMB'000
Printed Media OPCOs	61,631.5	371,962.6
Digital Media OPCOs	42,118	60,165

Reasons for using and risks associated with the Contractual Arrangements

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

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

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

Material changes

Save as disclosed above, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2020.

For any potential changes to the Contractual Arrangements, please refer to the paragraph headed "Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77–14) (the "Guidance Letter") (Updated in August 2015 and April 2018)" below.

Unwinding of the Contractual Arrangements

As of 31 December 2020, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77–14) (the "Guidance Letter") (Updated in August 2015 and April 2018)

The Company noted that the Stock Exchange has issued the updated Guidance Letter in August 2015 and April 2018 to provide further guidance to listed issuers using contract-based arrangements to indirectly own and control any part of their business. Pursuant to the Guidance Letter, a listed issuer should ensure that where OPCO's shareholders are officers or directors of the issuer, the power of attorney under the contractual arrangement in relation to the exercise all shareholders' rights of OPCO should be granted in favour of other unrelated officers or directors of the issuer so as to avoid any potential conflicts of interests.

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

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

The Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the OPCOs has been substantially retained by the relevant subsidiary of the Group; (ii) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) the terms of the transactions are on normal commercial terms and in the ordinary and usual course of business and (iv) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Other Connected Transactions during the year

During the year, the Group has entered into certain related party transactions as disclosed in Note 39 to the consolidated financial statements of this Annual Report. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company disclosed in its Prospectus, the 2011 Announcement and 2015 Annual Report which the Group entered into and will continued to be carried out between members of the Group certain continuing connected transactions in respect of the Contractual Arrangements (the "Continuing Connected Transactions").

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the 2009 Arrangements, the 2011 Agreements and the 2015 Arrangements have complied with the reporting and announcement requirements during the year. The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into in accordance with the relevant Contractual Arrangements and that no dividend or other distribution has been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to our Group.

In accordance with paragraph 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform procedures on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA.

The auditor has confirmed that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Board.

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

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

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2020, the Group had around 414 employees (2019: 488 employees). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover.

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

Details of the Directors' and chief executives' remuneration and individuals with the highest emoluments in the Group are set out in note 13 of the consolidated financial statements of this Annual Report.

PENSION SCHEME

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

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

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

There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. The Group's contributions to retirement benefit schemes charged to profit or loss for the year ended 31 December 2020 were approximately RMB8,558,000. Details of the retirement benefits are set out in note 12 of the consolidated financial statements of this Annual Report.

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

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2020, the Company continued to apply the principles set out in the CG Code as contained in Appendix 14 to the Listing Rules.

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this Annual Report on pages 28 to 43.

AUDIT COMMITTEE

The Company established the Audit Committee with terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The Board has, on 25 December 2015, amended the terms of reference of the Audit Committee to be in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange. As at 31 December 2020, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Ms. Wei Wei and Dr. Gao Hao. Dr. Gao Hao resigned as member of the Audit Committee, and Mr. Wan Jie was appointed as member of the Audit Committee on 20 May 2021.

During the year, the Audit Committee met from time to time to review the Company's draft interim and annual report and provided advice and comments thereon to the Company's Board of Directors, met with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The Audit Committee has also reviewed the interim and annual results of the Group for the year ended 31 December 2020. Starting from 2015, the Audit Committee has also performed the duties as stated in the amended terms of reference of the Audit Committee, including reviewing the risk management system of the Group.

TAX RELIEF

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained throughout the year ended 31 December 2020, the amount of public float as required under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

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

AUDITORS

During the year, Grant Thornton resigned as auditor of the Company and ZHONGHUI ANDA was appointed by the directors to fill the casual vacancy so arising. There have been no other changes of auditor in the past three years. A resolution for the reappointment of ZHONGHUI ANDA as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Shao Zhong
Chairman

Hong Kong, 20 May 2021

Biographical Details of Directors & Senior Management

EXECUTIVE DIRECTORS

Mr. SHAO Zhong (邵忠), aged 60, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Content Officer of the Group, who is also the founder of our Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as the Chairman of the Board and an Executive Director in July 2009. Mr. Shao was the Chief Executive Officer of the Company from September 2015 to November 2016, and he was again appointed as the Chief Executive Officer with effect from October 2017. Mr. Shao is responsible for the overall corporate strategies, policy-formulating, instilling corporate philosophy as well as strategic planning, development and expansion of the Group's new media businesses. Prior to founding our Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Media Leading Icon at China Media Forum in 2010.

Ms. YANG Ying (楊瑩), aged 45, was appointed as an Executive Director from September 2015. Ms. Yang was graduated in Shanghai Foreign Trade College (上海對外貿易學院) in July 1999, majored in Foreign Trade Economy and obtained her EMBA degree from a course jointly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Yang has more than 20 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Yang worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Yang joined the Group as Marketing Director of its Shanghai Office and further on promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Yang joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August 2009, Ms. Yang rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Mr. LI Jian (李劍), aged 45, was appointed as an Executive Director from September 2015. Mr. Li joined the Group in September 2011 as the Deputy Publisher for "Bloomberg Businessweek 商業周刊中文版／China" and Deputy General Manager of the Group's operations in the Beijing region. He was promoted, in September 2012 and in February 2013 respectively, to the General Manager of the Beijing region and the Publisher for "Bloomberg Businessweek 商業周刊中文版／China", "Bloomberg Businessweek 商業周刊中文版" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek 商業周刊中文版". Prior to joining the Group, he had served in two international media companies and held various senior positions, such as the publisher for a number of media. Mr. Li was a pioneer in the digital publication and visual media industries and has accumulated 16 years of working experience in the media field. In the earlier years, Mr. Li had worked for internationally well-known consulting agencies. Mr. Li has gained extensive experience in cross-media operations from international media groups over the years, which will facilitate the Group in exploring and integrating cross-media platforms that will contribute to the development of business. He graduated from John Molson Business School, Concordia University of Canada with a bachelor's degree in Business in 2000.

Mr. Alain DEROCHE, Jean-Marie, Jacques, aged 59, was appointed as an Executive Director from June 2016. Mr. Deroche joined our Group in June 2008 as Vice President and Publishing Director of the Group and has since been responsible for the management of our Group's international copyright business and the planning and content innovation for our Group's printed publications. Before his appointment as an Executive Director, Mr. Deroche was the Publishing Director of two of our Group's international titles, namely "Numero" and "The Good Life", and was also the Co-publisher of "IDEAT". Mr. Deroche has extensive experience in international media management of the international media industry. Prior to joining our Group, Mr. Deroche was employed by Hachette Filipacchi Associes, a publishing house in France from September 1989 to June 2008. Immediately before he left the said entity, Mr. Deroche served as the general manager in charge of the publication in the PRC. He was also the publishing director for ELLE's international edition from 1999 to 2005. Mr. Deroche obtained his postgraduate degree in international business administration from Université de Paris- Dauphine (English translation: Paris Dauphine University) of France in October 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shi (王石), aged 70, was appointed as an Independent Non-executive Director in August 2009 and resigned from his position as an Independent Non-executive Director in December 2020. Mr. Wang has over 20 years of experience in real estate development in the PRC. Mr. Wang was the founder of China Vanke Co., Ltd. which was listed on the Shenzhen Stock Exchange starting from 1991. He acted as its general manager from 1988 to 1999, and he also acted as its chairman from 1988 till 2017 and now is its honorary chairman. Mr. Wang obtained his bachelor's degree in water supply studies from Lanzhou Jiaotong University in China in September 1977.

Ms. WEI Wei (魏蔚), aged 51, was appointed as an Independent Non-executive Director in December 2020. Ms. Wei is a partner and the chairperson of Levy Gorvy Asia since October 2020. Prior to joining Levy Gorvy Asia, Ms. Wei served as the president and chairperson of Christie's Asia from May 2012 to January 2020. Pre-Christie's, Ms. Wei worked with the consulting firm McKinsey & Company from September 1999 to January 2010, achieving the distinction of becoming their first female partner in Greater China. In 2017, she was named one of the Top 25 Power Women by "Tatler" Hong Kong Magazine.

Mr. WAN Jie (萬捷), aged 59, was appointed as an Independent Non-executive Director in May 2021. Mr. Wan has been engaged in the business model innovation and practice of cultural industry for a long time, committed to the inheritance, protection and promotion of the Chinese Culture, and actively promoted the introduction and dissemination of worldclass splendid culture and arts. In 1993, Mr. Wan founded Artron (Culture) Group, and pioneered the business model of "covering the entire art industry chain with art data as the core and IT technology as the means" to build products and services covering the entire art industry chain, which has expanded from high-end art printing to internet art information service, art data service, art video and art education, making Artron the premier comprehensive cultural and art service institution in China and unique one all over the world.

Dr. GAO Hao (高皓), aged 38, was appointed as an Independent Non-executive Director in August 2016 and resigned from his position as an Independent Non-executive Director in May 2021. Dr. Gao was awarded a bachelor's degree in engineering (automation) from Tsinghua University in July 2005, a bachelor's degree in economics from Peking University in July 2007, and a Ph.D. degree in management science and engineering from Tsinghua University in June 2012, and the Corporate Director Certificate from Harvard Business School in 2015. Dr. Gao is currently the director of the Global Family Business Research Center at Tsinghua University PBC School of Finance(清華大學五道口金融學院), a member of Global Future Council and Expert Network of World Economic Forum, a council member of All-China Federation of Industry and Commerce Think Tank, a council member and research fellow of China Enterprise Reform and Development Society, as well as a co-editor of Wealth Management Journal and the editor-in-chief of the Family Business Series and Family Wealth Series. He is also an independent director of Hope Education Group Co., Limited (HKEX: 01765) and Xinyuan (China) Co., Limited (NYSE: XIN).

Biographical Details of Directors & Senior Management *(continued)*

Mr. YICK Wing Fat Simon (易永發), aged 62, was appointed as an Independent Non-executive Director in October 2019. Mr. Yick holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong, majoring in Accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in England. Mr. Yick has over 37 years of experience in audit, direct investment, investment banking and corporate advisory services. In addition, Mr. Yick is an independent non-executive director and chairman of the audit committee of Shenzhen Neptunus Interlong Bio-technique Holdings Company Limited (Stock Code: 8329), Shanghai International Shanghai Growth Investment Limited (Stock Code: 770) and China Singyes Solar Technologies Holdings Limited (Stock Code: 750) (all of which are listed on the Stock Exchange), an independent non-executive director, chairman of audit committee of Shenzhen Neptunus Interlong Bio-technique Co. Ltd (the shares of which are listed on the GEM Board of Hong Kong Stock Exchange). Meanwhile, he served as an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit and compliance committee of Nexteer Automotive Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 1316). In addition, he served as an independent non-executive director, the convener of the nomination committee and a member of the strategy committee of Chengdu Xinrong Environment Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 000598.SZ) from August 2017 to August 2020.

SENIOR MANAGEMENT

Ms. ZHONG Yuanhong (鍾遠紅), aged 49, the Administration and Production Controller of our Group and a member of the Environmental, Social and Governance Committee of the Company. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 years. Ms. Zhong completed her secondary education in Guangzhou No. 62 Middle School in June 1989. She has over 21 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

Mr. LIM Timothy Edward (林添靈), aged 46, joined our Group in February 2006 and is the Fashion Director of our Group responsible for the planning and development of the fashion aspects of the magazines. Prior to joining our Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, Marie Claire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 20 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Ms. MA Li (馬驪), aged 38, joined our Group in November 2009 and now is the Deputy Chief Financial Officer of the Group, responsible for the financial planning and analysis of the Group and all media business units. Apart from financial management, she is also responsible for internal controls and policy management for the Group. Prior to joining the Group, she had worked for PricewaterhouseCoopers as the senior auditor for over 5 years. She obtained her bachelor of management and bachelor of finance from Shanghai University of Finance and Economics. She is the member of The Institute of Internal Auditors and has over 15 years experience in finance and control management.

Biographical Details of Directors & Senior Management *(continued)*

Ms. ZHANG Kui (張葵), aged 49, the Deputy Chief Financial Officer of the Group, Ms. Zhang joined our Group in March 2005, she is responsible for establishing the Group's financial management accounting system, formulating the financial system, financial accounting for the Group, and the formulation and implementation of tax planning. Before joining the Group, Ms. Zhang worked for domestic large state-owned enterprises, responsible for the financial work in the state-owned enterprises for more than 10 years, she has rich experience in finance management and tax planning. Ms. Zhang graduated from Jinan university with a bachelor's degree in management, she is a senior accountant, certified tax agent and obtained management institute of occupational qualification registered in China. She has more than 20 years of experience in the financial and tax management.

COMPANY SECRETARY

Ms. CHAN Sze Ting (陳詩婷) *(ACG, ACS)* has been appointed as the Company Secretary of the Company on 1 April 2020. Ms. Chan is a senior manager of the corporate services division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Chan has over 15 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a bachelor of laws degree from the University of London.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

The ESG Report is the fifth environmental, social and governance report (the "Report") published by the Group to help various stakeholders to understand the policies, measures and effectiveness of the Group in respect of the environment, social and governance issues. The Report is prepared in Chinese and English, both of which have been uploaded to the Stock Exchange of Hong Kong and the Group's website (http://www.modernmedia.com.cn/).

SCOPE OF THE ESG REPORT

The ESG Report is about the performance of the Group in terms of environmental, social and governance aspects during the financial year from 1 January 2020 to 31 December 2020 (the "Year") and continuously focuses on the two sectors of digital media platform and print media platform. The coverage scope[1] of the performance information disclosed in this year include operating spots in Hong Kong, Shanghai and Guangzhou. According to the principle of importance, the Group will regularly review the scope of the Report to ensure that investors and other stakeholders are provided with comprehensive and accurate information.

REPORTING STANDARDS

The ESG Report is in compliance with the "comply or explain" provisions in Appendix 27 — "Environmental, Social and Governance Reporting Guide" (the "Guide") of the Listing Rules issued by the Stock Exchange. The Report has been prepared on the basis of four reporting principles set out in the Guide — Materiality, Quantitativeness, Balance and Consistency. Moreover, the Report has selected some of the contents in the "Proposed Disclosures" of the Guide for reporting to make the contents of the Report more complete. A complete content index is appended in the last chapter hereof for easy comprehension of the report according to the Guide.

Principle of reporting	Definition	Response
Materiality	Focusing on environmental, social and governance issues which have significant impact on the Group and various stakeholders.	The Group has conducted a questionnaire survey, in which Board members identified important environmental, social and governance issues based on factors such as the nature of the Group's business and the expectations of stakeholders.

1 Compared with 2019, the Shanghai operating point only covers the offices located in Jianguo Middle Road, among which the cultural and creative space project "Modern Space" and the lease of offices located in Huaihai Middle Road was terminated this Year, so they are not covered by this Report. However, there is no significant change in the coverage of operating points in Hong Kong and Guangzhou.

Principle of reporting	Definition	Response
Quantitative	Key performance indicators in respect of historical data need to be measurable. The Issuers should set targets to reduce a particular impact. In this way, the effectiveness of environmental, social and governance policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative explaining its purpose, impacts, and giving comparative data where appropriate.	The key performance indicators of the "social" component of the Group are sourced from the statistics of relevant departments. Moreover, in order to ensure the accuracy of the environmental Key Performance Indicators, the Group has commissioned Carbon Care Asia, a professional consultation company, to conduct a carbon assessment in accordance with the guide prepared by Environmental Protection Department of Hong Kong and Electrical and Mechanical Services Department and by reference to ISO14064–1 and international standards such as Corporate Accounting and Reporting Standards of GHG Accounting System. Where applicable, the Group includes forward-looking statements in this Report, and the quantitative information is accompanied by descriptions and adopted standards, methods, assumptions and/or calculation tools.
Balance	The issuer shall present its performance impartially, and avoid the selection, omission or presentation format that may unduly influence the decision-making or judgment of the readers of the Report.	The Group fully demonstrates the environmental, social and governance performance in the Report to avoid giving biased information.
Consistency	Consistent disclosure and statistical method shall be adopted by the issuer, in order to make the environmental, social and governance data comparable.	The Group has prepared this Report in the same way as in previous years, and has ensured that the future environmental, social and governance data will be collected in a consistent way for comparison between the Year and previous years.

CONFIRMATION AND APPROVAL

The Group has established its internal monitoring and formal review procedures to ensure that the information presented in this ESG Report is accurate and reliable. This ESG Report was confirmed and approved by the Group's Board on 29 March 2021.

FEEDBACK

The Group values the opinions of stakeholders. If you have any questions or suggestions about the content or reporting form of this ESG Report, you are welcome to contact Ms. Zhong, the person-in-charge of the environmental, social and governance working group of the Group through the following methods:

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

MESSAGE FROM THE DIRECTORS

Entering 2020, the world encountered the challenges of climate change, novel coronavirus ("COVID-19") and a series of other crises, which promote the changes of lifestyle and economic activities. As the leading, most innovative and internationalized high-end communication group in China, the Group believes that these fundamental changes to society are opportunities for the Group to create value for stakeholders.

In the post-pandemic era, sustainable development is an indispensable part of the Group's business operations. In order to establish good corporate governance, the Board of the Group is responsible for supervising environmental, social and governance work, approving the formulation of relevant policies and measures, and examining relevant objectives and progress. To further advance sustainable development, the Group planned to gradually improve its internal sustainable development governance system and integrate sustainable development into all aspects of its business. To enhance the Group's commitment to sustainable development at all levels, the Group continued to improve its environmental, social and governance policies. This Year, the Group formulated the "Policy Statement on Employment and Labor Practice", the Policy Statement on Product Responsibility and the Policy Statement on Community Investment to improve the management at relevant levels.

Safeguarding the health and well-being of employees is the Group's top priority under the pandemic. By timely adjusting the responsive strategies and changing the operational procedures, the Group was able to protect the health of its employees while keeping its business running smoothly.

In addition to dealing with the pandemic, climate change is also the top priority of the political agenda of all countries. In 2020, China announced that it would strive to achieve carbon neutrality by 2060, reflecting the country's emphasis on climate change. The Group will examine the crisis and opportunities brought about by climate change and continuously improve the environmental management of its operations. The Group strived to contribute to climate change in its own position.

As a professional and knowledge-disseminating media, the Group actively contributes to the community and strengthens its connection with the community. The Group has been focusing on serving children with special education, encouraging employees to serve the community and conveying the idea of changing society with love and education. In addition, the Group promotes arts and culture through different channels.

Looking ahead, the Group will further improve its management strategies and measures in all aspects of sustainable development, to achieve sustainable development of enterprises and contribute to society and the environment.

Shao Zhong
Chairman of the Board and Executive Director
20 May 2021

SUSTAINABILITY GOVERNANCE

An effective governance framework for sustainable development may effectively improve the performance of environment, society and governance, resulting a long-term success. The Board supervises matters related to sustainable development, and the environmental, social and governance committee (the "Committee") below its authority formulates and implements relevant policies and strategies, sets key performance indicators and monitors the progress and final results. At least one meeting is convened every year. To support the work of the Board and the Committee, The Committee currently comprises Mr. Shao Zhong, the Executive Director (Chairman of the Committee), and Mr. Wan Jie, the Independent Non-executive Director. the Group has also established an inter-departmental working group on ESG at management level. The team consists of one management personnel from each of the finance department, administration department and human resources department.

RISK MANAGEMENT

Risk management is crucial to maintaining the Group's long-term operational capability. The Group takes compliance operation as its risk management basis and establishes an internal control system to manage financial, operational, compliance and risk management issues. The management is responsible for identifying and assessing the risks encountered by the Group, and designing, applying and monitoring effective internal control system.

In the coming year, the Group plans to incorporate the risks related to sustainable development into the risk management system to gain an in-depth understanding of the emerging major risks threatening the business development of the Group and its customers, and seize new opportunities to enable the Group to achieve sustainable development.

LAWFUL OPERATION

Lawful operation is the foundation for the Group to continue its operation at different regions. The Group is aware that regulation-violating behaviors will lead to relevant enforcement actions by regulators, and the Group has provided clear guidance to employees by reviewing working practice and compliance. The Group's business operations are regulated by different laws and regulations, including but not limited to those listed in the following table. Any violation of relevant laws and regulations may damage the reputation of the Group and have material adverse impact on its business, operating results or financial position.

Level	The relevant laws and regulations that have a material impact on the Group	Management approach and compliance status
Emissions	The Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China, the Air Pollution Prevention Law of the People's Republic of China, the Waste Disposal Ordinance, the Air Pollution Control Ordinance and Motor Vehicle Idling (Fixed Penalty) Ordinance	The Group has formulated the Energy Conservation and Environmental Protection Management System of Companies to guide the management of environmental footprint. During the Year, the Group did not violate the relevant laws and regulations that have a material impact on the Group.

Level	The relevant laws and regulations that have a material impact on the Group	Management approach and compliance status
Employment and labour standard	The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Employment Ordinance, the Minimum Wage Ordinance and Workmen's Compensation Ordinance, Young Persons (Industry) Regulations	The measures and guidelines specified in the Employee Handbook of the Group ensure that employees are aware of the policies on remuneration and dismissal, recruitment and promotion, working hours, holidays and other benefits and welfares. This Year, the Group formulated the Policy Statement on Employment and Labor Practice to set out its commitment to employment standards. During the Year, the Group did not violate the relevant laws and regulations that have material impact on the Group.
Health and Safety	The Production Safety Law of the People's Republic of China, the Occupational Disease Prevention Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China and the Occupational Safety and Health Ordinance	The Group provides guidance in the Employee Handbook for office safety, office fire safety and personal safety of employees. During the Year, the Group did not violate the relevant laws and regulations that have a material impact on the Group.
Product responsibility	The Product Quality Law of the People's Republic of China, Copyright Law of the People's Republic of China, The Regulation on Internet Information Service of the People's Republic of China, Law of the People's Republic of China on Protection of Consumer Rights and Interests, Interim Measures for the Administration of Internet Advertising, Cybersecurity Law of the People's Republic of China, the Advertising Law of the People's Republic of China and the Trade Description Ordinance	The Group formulated the Policy Statement on Product Responsibility, which made corresponding commitments in product service quality, advertising management and marketing, consumer rights protection and privacy protection. During the Year, the Group did not violate the relevant laws and regulations that have a material impact on the Group.

Level	The relevant laws and regulations that have a material impact on the Group	Management approach and compliance status
Anti-corruption	The Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Prevention of Bribery Ordinance	The Employee Handbook of the Group stipulates the relevant policies and guidelines to prevent bribery, extortion, fraud and money laundering to ensure that employees are aware of the relevant principles and requirements. During the Year, the Group did not receive any corruption lawsuits against enterprises or employees, nor did it violate the relevant laws and regulations that have a material impact on the Group.

LISTENING TO THE NEEDS OF STAKEHOLDERS

The sustainable development of enterprises depends on the cooperation with all stakeholders. Listening to the needs of stakeholders will help the Group incorporate the views of stakeholders into the Group's sustainable development strategies and policies, and contribute to its long-term development. The Group has a two-way dialogue with its stakeholders in its daily operations from time to time, which enables the Group to know the matters of its business and those most concerned about by stakeholders.

Major stakeholders	Communication methods
Directors, management personnel, executive personnel and general staff	• Internal communication system • Training courses • Irregular staff activities • Procedures of claims from staff • Regular meetings and interviews
Shareholders, investors, banks and government departments	• General meeting • Annual/interim results announcements and reports • Announcements or circulars • Website of the Company • Press release • E-mail or phone channel

Major stakeholders	Communication methods
Suppliers	• Review and valuation • On-the-spot investigation • E-mail or phone channel
Readers and customers	• Social media • E-mail or phone channel
Community organizations or other cooperating units	• Community service

To reflect the Board's supervision over environmental, social and governance issues, the Group commissioned external consultants to conduct questionnaire survey with Board members to identify important environmental, social and governance issues. In addition to considering the impact of each issue on the business development of the Group, the members of the Board also consider its impact on the environment and society to assess the importance of each issue more comprehensively. Based on the results of the questionnaire survey, the Group identified six important issues, which are mainly represented in this Report.

In the future, in order to better understand the opinions and expectations of stakeholders, the Group will strengthen communication with stakeholders and explore more different communication channels, such as focus groups and online questionnaires, so that stakeholders can participate in the formulation process of the Group's sustainable development strategy and respond to their opinions more specifically.

ESTABLISHING MUTUAL TRUST AMONG PARTNERS

Strictly abide by business ethics

Business ethics and integrity are essential for the Group and its long-term relationship with business partners. The Group has formulated policies and procedures to safeguard business ethics. The Group has stipulated relevant policies on preventing bribery, extortion, fraud and money laundering, guidelines on accepting gifts and other occupational code of conducts in the Employee Handbook (the "Handbook") to ensure that employees are aware of relevant principles and requirements.

To encourage employees to report dishonest behaviors, the Group has also set up reporting procedures, in which employees can report suspected cases directly to the top management. The Group will adhere to the principle of clean operation to avoid and prevent any corruption in the Group in time. In addition, the Group has always maintained close communication with business partners and suppliers to avoid improper and illegal activities.

Looking ahead, the Group will maintain high ethical operating standards and strengthen internal system control. The Group will continue to provide anti-corruption training to directors and employees to enhance their integrity awareness and understanding of relevant laws.

ESTABLISHING BRAND TRUST

As a new and innovative international composite media group, the Group aims to gain the trust of customers and readers through its products and services, and provide sufficient information for customers and readers to make informed choices. During the Year, the Group formulated the Product Responsibility Policy Statement, and made corresponding commitments in product service quality, advertising management and marketing, consumer rights protection and privacy protection.

CONTENT AND QUALITY

The Group is aware that the media has a far-reaching influence on the thoughts and even behaviors of readers and the public. As a content provider, the Group has the responsibility to provide high-quality content in an accurate and balanced manner.

The Group implements standardized editing processes and comprehensive quality control procedures. The Group has formulated the Requirements on Level Revision and Checkout of Publications to provide quality management guidelines for its published content, and set out the requirements and quality management principles for various publishing procedures (including revision, editing, design and communication with advertisement customer), for the purpose of ensuring accurate content.

In the review process, editors should pay attention to the orientation and ideological content, and carefully check the accuracy of the content, including numbers, units of measurement, telephone numbers, websites, English norms and names translated in Chinese, technical terms and expressions to avoid misleading readers. In addition, the Group has employed independent printers who hold ISO9000 qualification certificates or whose printing quality is recognized in the printing industry to print publications in Hong Kong and China.

Review	Edit	Design	Communication with advertisement customers
• Proofreading content to ensure the accuracy of published text content, including their grammar and information	• Implementing the three-level review work of “editor’s preliminary review-chief editor’s second review-general editor’s final review” • Ensuring the accuracy of the technical terms and figures of the content	• Designing and typesetting content and pictures to provide clear and easy-to-read typesetting for readers	• Communicating with advertisement customers and checking information and content

During the Year, the Group did not have any cases of product recycling due to violation of relevant consumer protection laws and regulations.

CUSTOMER SERVICES

The Group’s customers include two categories: advertisers and publishers. In order to enhance the Group’s competitiveness in China’s advertising business and better serve advertisement customers, the Group developed its own media management system, which is a customer data management system for sorting out the Group’s readership data. This system facilitates the information circulation and sharing among the various departments of the Group and among the sales staff to improve the efficiency of negotiation with advertisers. During the Year, the Group did not receive any complaints of products or services.

MAINTAINING INTELLECTUAL PROPERTY RIGHTS AND PRIVACY PROTECTION

As a responsible media communication group, the Group attaches importance to and safeguards intellectual property rights. The Group’s Employee Handbook sets out the code for employees to handle business confidential information, ensuring that employees understand and comply with the Group’s provision of guidelines on customer privacy. The labor contract has clearly stipulated that employees shall abide by the principle of trade secrets. The Group may require individual personnel to sign confidentiality commitments on specific matters subject to circumstances.

The Group does not allow any leakage of confidentiality. If an employee is found to have leaked secrets, the Group will immediately terminate his or her labor contracts, and reserve the right to pursue the economic and legal liabilities of the parties concerned. At the same time, the joint liability of department heads and personnel shall be investigated. In the supplier contract, the Group requires mutual respect for each other’s intellectual property rights and joint compliance with relevant national laws and regulations.

ADVERTISEMENT MANAGEMENT MARKETING

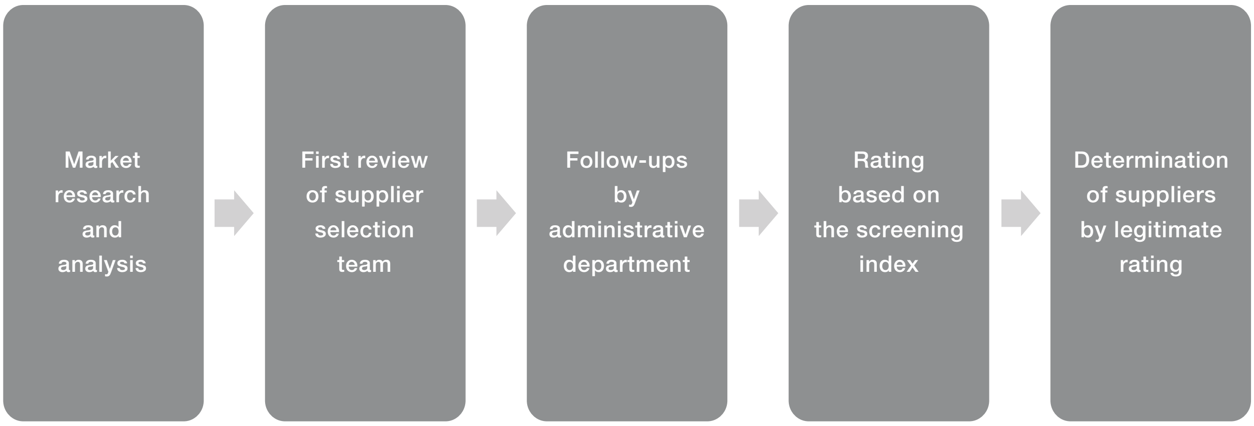
The advertising service and platforms are provided by the media business of the Group to advertisers, the Group will conduct review when selecting the advertisers, in order to ensure compliance with the PRC Advertising Law by the advertisers.

MANAGING SUSTAINABILITY OF SUPPLY CHAIN

The sustainable development of the Group relies on responsible suppliers. The Group's Supplier Management Policy and Selection Criteria for Printing Factory Suppliers and other policies and guidelines stipulate the Group's principles for supplier management, screening and rating, etc. This policy provides six indicators for supplier screening, namely quality level, delivery capacity, price level, back-up service, human resources and existing cooperation status, and cooperates with supplier screening procedures to select suppliers that meet the requirements of the Group.

The Group's main suppliers are printers and logistics service providers, while others include consumables supply, travel agency, marketing activities and labor intermediary services. During the Year, the Group cooperated with 2,508 suppliers. All suppliers are screened in accordance with the Supplier Management Policy and Selection Criteria for Printing Factory Suppliers.

Procedures of supplier selection are as follows:



In order to build a good cooperation relationship between suppliers and the Group in purchasing, jointly safeguard a fair and transparent purchasing environment on the basis of mutual good faith, and avoid the risks of favoritism and conflicts of interest, the Group will not choose any suppliers associated with its employees. If there are requirements in special circumstances, employees shall report to the management for approval before the Group can adopt the relevant suppliers.

In addition to rigorous screening procedures to manage the environmental and social risks of the supply chain, the Group conducts supplier evaluation every year to ensure the quality of suppliers. The evaluation criteria include service quality, the handling methods of suppliers when encountering special circumstances, peer price comparison and other considerations. The Group will eliminate and replace suppliers that do not meet the requirements. In addition, the Group has formulated acceptance criteria and issued guidelines for supplier acceptance and handover procedures to ensure the consistency of acceptance quality.

Looking ahead, the Group plans to review the existing procurement-related policies and consider incorporating environmental and social performance indicators into supplier evaluation factors to ensure that suppliers meet the Group's sustainable development concept.

BUILDING AN IDEAL WORKPLACE

Cultivating and Developing Talents

Continuous development of employees' skills and knowledge is the focus of the Group's ability to maintain competitiveness. The Group provides employees with sufficient training opportunities to enhance their knowledge and skills required to perform duties. According to business development and employees' performance, the Group transfers or promotes them to match the development of employees' professional expertise. The training provided by the Group in the past includes induction training for new employees and job-related training for current employees, such as content creation, design and editing. As affected by the pandemic, most of the training activities could not be held during the Year. The Group has established feasible training programs in accordance with the needs of the situation.

In order to grasp the employees' performance and lead their growth, the Group has conducted regular or irregular evaluations on employees at different stages of their career, including probation evaluation, regular evaluation and annual evaluation. The Group conducts an annual assessment of its employees every year, and the criteria include work performance, ability, professional ethics and other factors. To maintain the fairness and transparency of the evaluation, the performance evaluation standards have been listed in the Employee Handbook. In addition, all departments of the Group actively communicate with employees, and formulate specific, measurable, feasible performance targets that are related to the work plan and have clear timeliness, so that employees can understand the expectations of the Group.

Employment Management and Standard

The Group aims to attract, motivate and retain talents by improving employment management and standards. The Group understands that continuous communication with employees and establishment of a fair, mutual trust and respectful employment relationship are the key for enterprises to promote sustainable development. The policies on remuneration and dismissal, recruitment and promotion, working hours, holidays and other benefits and welfares are set out in the Employee Handbook of the Group. In order to improve the employment management and standards of the Group, the Group formulated the Policy Statement on Employment and Labor Practice during the Year to show its commitment to equal opportunities, diversity, anti-discrimination, child labor and forced labor.

Employment related policies	
Remuneration and dismissal	The Group's employee compensation and welfare policies are formulated with reference to market standards. The employment terms, including remuneration, probation period and termination of employment contract, are stipulated in the contract and the Employee Handbook.
Recruitment and promotion	The Group has always adhered to the principle of meritocracy, implemented a fair recruitment and promotion system and adopted objective and reasonable criteria. Employees are evaluated annually for the decision of promotion.
Working hours, holidays	The Group provides reasonable working hours and rest time for its employees in accordance with the local laws and regulations. If employees need to work overtime, they need to obtain the prior consent of the management. The Group will provide compensation arrangements such as compensation leave afterwards. In addition to statutory holidays, employees also enjoy paid annual leave, marriage leave, nursing leave and other holidays in accordance with their ranks and years of service. The Group also provides employees with children with half-day paid leave not more than twice per semester to facilitate their participation in school parent-teacher conferences.
Avoiding child labor and forced labor	The Group is aware that child labor and forced labor exploit workers' human rights and harm social interests. The Group has zero tolerance for child labor and forced labor. The Group's Policy Statement on Employment and Labor Practice stipulates that the Group will not employ child labor or use forced labor, including guarantee (including debt guarantee) or contract labor, involuntary prison labor, abducted labor or slave labor. The Group does not accept any threats or cruel treatment of employees. The Group is committed to eliminating child labor and forced labor in recruitment and daily operations. Applicants shall provide relevant identity documents to the Company to confirm that they have reached the age of 18. The Group has the right to let employees leave at its discretion and will not unfairly restrict the employment relationship between employees and the Group in any way. During the Year, the Group was not aware of any irregularities related to child labor or forced labor.
Appeal channels	In order to promote communication and cooperation between employers and employees, the Group has established an employee complaint suggestion procedure for employees to make complaints and comments.
Equal opportunities, diversity, anti-discrimination	The Group upholds the equal rights of all employees. Regardless of the race, nationality, age, sex, marital status, religious belief, etc., the Group treats all employees equally. The Group's Policy Statement on Employment and Labor Practice states that the Group will strive to create a diversified working environment, an anti-discrimination and anti-harassment environment and enhance employees' awareness of equality.

Caring for Employee Health

Even though the Group's main office is an office, the related occupational safety risks are lower than those in other industries. In order to effectively protect employees' health and workplace safety, the Group implemented two policies simultaneously. First is to ensure the safety of the workplace and second is to promote workplace safety culture. The Employee Handbook of the Group prescribes guidelines in the areas of office safety, fire protection and personal safety of employees, and procedures for handling work accidents, so that employees could understand the measures formulated by the Group for health and safety.

Scope	Major measures
Office security	• Visitors entering the Group's office area shall be accompanied by employees
Fire safety	• Smoking is strictly prohibited in open offices
	• When using electrical equipment, it is necessary to prevent the wires from being overloaded
	• It is forbidden to store all kinds of inflammable and explosive articles in the office and rooms of the Company
	• No stocking in stairs, aisles and exits

The Group actively promotes workplace safety culture. Green plants are placed in the offices of the Group to create a relaxing office environment for employees who focus on computer screens and words for a long period of time. In addition, the Group encourages employees to take breaks for exercise during work to avoid eye strain.

Confronting the pandemic

Confronting the persistent COVID-19, the Group has taken a number of measures to deal with the challenges brought by the pandemic to the business operations, so as to protect the health and safety of employees and reduce the impact of the pandemic on the business operations. The relevant countermeasures are as follows:

- Set up temperature detection stations at the entrances and exits of workplaces to measure the body temperature of employees
- Require employees to wear masks during work
- Open windows regularly to keep air circulation in the workplace
- Disinfect office areas regularly, including office desks and chairs, desktops, door handles and toilets in public areas
- Disinfect conference rooms immediately after use
- Add ultraviolet lamps and arrange special personnel to disinfect the office area after work
- Implement telecommuting mechanism under specific circumstances

- The office is equipped with disinfectant alcohol and cotton balls for disinfection by employees

- Publish information in due course and maintain effective communication with employees

MANAGEMENT OF ENVIRONMENTAL FOOTPRINT

Faced with climate change and different environmental challenges, the Group is aware of the responsibility of enterprises to protect the environment. Based on the nature of the Group's business activities, the Group's direct overall impact on the environment and natural resources mainly includes emissions and resource use. Although the Group considers the relevant impact to be insignificant, the Group is still committed to reducing the environmental impact of its operations. The Group formulated "Energy Conservation and Environmental Protection Management System" to guide the management of environmental footprint, and advocated the concept of "low-carbon, environmental friendly and green office".

In order to reduce the environmental impact caused by the publication and printing of magazines, the Group uses Forest Stewardship Council ("FSC") certified papers to ensure that the papers used in magazines are not from endangered species or illegally cut trees.

Looking ahead, the Group will explore the feasibility of implementing other sustainable development measures in magazine production and offices, and implement them to continuously reduce the Group's impact on the environment and natural resources.

Climate Change and Greenhouse Gas

After the Paris Agreement took effect, climate change has become the global focus. Governments of various countries have begun to incorporate climate change actions into the national policy process. The Group is aware that climate change may bring certain impacts on its business, such as changes in laws and regulations as well as consumer behavior.

In the future, the Group will review the current environmental policies, consider adding climate issues that have a significant impact on the Group, and more comprehensively and effectively deal with the pressures and opportunities brought by various environmental problems.

Greenhouse gas emission is a factor of climate change. The Group has taken a series of measures to reduce carbon footprint during its operations, including advocating to reduce the use of vehicles and encouraging employees to travel by public transport if the destination is within three kilometers. In addition, the Group continuously monitors the performance of greenhouse gas emissions, and quantifies the greenhouse gas emissions (or "carbon emissions") generated by the Group's operations by commissioning an independent consultant to conduct a carbon assessment. The quantification process is carried out with reference to the guidelines[2] prepared by Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong, the guidelines[3] issued by Shanghai Municipal Development and Reform Commission, the guidelines[4] issued by Guangdong Municipal Development and Reform Commission and international standards such as ISO14064-1.

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

3 i.e. Guidance for Accounting and Reporting of Greenhouse Gas Emissions of Shanghai.

4 i.e. General Rules for Information Report of Carbon Dioxide Emissions from Enterprises (Unit) in Guangdong Province (Revised in 2018).

Performance results: Total and intensity of greenhouse gas (GHG) emissions

Environmental Key Performance Indicators	Unit	Total		Hong Kong		Shanghai		Guangzhou	
		2020	2019	2020	2019	2020	2019	2020	2019
Scope 1	t CO_2e	59.85	96.66	0.63	6.06	35.37	45.20	23.85	45.40
Scope 2	t CO_2e	282.67	478.12	56.97	91.68	158.27	299.20	67.43	87.24
Scope 3[5]	t CO_2e	23.66	242.62	0.77	5.10	11.97	212.90	10.92	24.62
Total GHG emissions	t CO_2e	366.18	817.44	58.37	102.84	205.61	557.30	102.20	157.30
GHG intensity (calculated in floor area)	t CO_2e/sq.m	0.06	0.10	0.06	0.11	0.04	0.08	0.13	0.21

Compared with 2019, the total amount of greenhouse gas emissions and greenhouse gas density decreased by 55% and 41%, respectively, mainly due to the impact of the pandemic, substantial reduction of use of the application of vehicles and office equipment, and the number of business trips by air has also declined. At the same time, the lease of some operating places of Shanghai business have been terminated.

In the future, the Group will maintain the assessment and recording the emission data enable the Group to review the effectiveness of the existing environmental policies, the Group will continue to record environmental data and review regularly, to further improve the environmental data system as the basis for formulating environmental policies and measures in the future.

Resource Management

Consumption of resources of the Operating Spots of the Company are mainly outsourced electricity, water resources and paper use. The Group has established a series of energy saving measures for the offices to improve energy efficiency and avoid waste of resources.

Energy management

The Group's major energy saving measures of office are as follows:

Energy saving measures of office

Power consumption

- Maximum use of natural light during daytime and reduce use of lighting equipment
- Encouraging the use of LED bulbs reducing the usage of incandescent lamps
- Need to turn off the lights in the office after using the meeting rooms and after work
- Pay attention to energy saving concerns of compute; turning off the computer and the screen after work and refraining from turning sleep mode of computers for a short period of time
- Avoiding too high or too low temperature of air conditioners

5 Scope 3 indirect emissions in Hong Kong include emissions from waste paper disposal caused by printing paper printed matter, greenhouse gas emissions from water use and sewage discharge, and emissions from employees traveling abroad by air. Indirect emissions in Shanghai and Guangzhou only include emissions caused by employees traveling abroad by air.

Result performance: Total direct/indirect energy consumption and density by type

Environmental Key Performance Indicators	Unit	Total 2020	Total 2019	Hong Kong 2020	Hong Kong 2019	Shanghai 2020	Shanghai 2019	Guangzhou 2020	Guangzhou 2019
Direct energy-gasoline	megawatt-hours	244.34	383.90	2.16	20.60	144.65	181.20	97.53	182.10
Indirect energy-power	megawatt-hours	483.86	748.01	113.93	114.61	259.41	490.40	110.52	143.00
Total energy consumption	megawatt-hours	728.20	1,131.90	116.09	135.20	404.06	671.60	208.05	325.10
Energy density (calculated in floor area)	megawatt-hours/ sq. m	0.11	0.14	0.13	0.14	0.09	0.10	0.27	0.42

Compared with 2019, the total energy consumption and energy density decreased by 36% and 15%, respectively, mainly due to the fact that the lease of some operating places of Shanghai business have been terminated. In addition, due to the impact of the pandemic, the use of vehicles and office equipment has also been greatly reduced.

Water Use Management

The water used by the Group is mainly for office life, and the water supply is managed by the property management companies at all operating points. The Group believes that there is no problem in looking for water resources (including water consumption and quality) required for business operations. Although water use has no material impact on the Group's business, the Group encourages employees to save water.

Result performance: Total water consumption and density

Environmental Key Performance Indicators	Unit	Total 2020	Total 2019	Hong Kong 2020	Hong Kong 2019	Shanghai 2020	Shanghai 2019	Guangzhou 2020	Guangzhou 2019
Total water consumption	cu. m	1,239.20	1,121.95	89.00	73.00	584.20	1,048.95[6]	566.00	–[7]
Water consumption density (calculated in floor area)	cu. m/sq. m	0.20	0.22	0.01	0.07	0.12	0.26	0.74	–

Compared with 2019, the overall water consumption increased by 10%. The main growth comes from the operating places in Hong Kong and the water consumption data of the operating places available to Guangzhou business this year. The increase in water consumption in workplaces in Hong Kong is mainly due to the more frequent cleaning work during the pandemic. The overall water consumption density decreased by approximately 13%, mainly due to the impact of the pandemic and the decrease in the duration of staying in the office of employees. At the same time, the lease of some operating places of Shanghai business have been terminated.

6 The data only includes the water consumption of Modern Space and part of the Shanghai Office (part of Jianguo Middle Road). The Shanghai Office of Huaihai Middle Road does not have separate water supply channels and water facilities, and its public water facilities do not provide data on the distribution of water meters.

7 The Guangzhou office is managed by a property management company. In 2019, there was no independent water meter and no readings were obtained.

Pollution Prevention

Emission Management

The waste gas emissions of the Group are all derived from vehicle emissions of NOx, sulfur oxides and inhalable suspended particles. Diesel vehicles are not used in all the operating points of the Group to reduce exhaust emissions. The Group will continuously review the air pollutants emitted by vehicles, and promote good vehicle maintenance and environmental protection driving habits.

Result performance: Emissions category and related data

Environmental Key Performance Indicators	Unit	Total		Hong Kong		Shanghai		Guangzhou	
		2020	2019	2020	2019	2020	2019	2020	2019
Nitrogen oxides	kg	19.48	30.87	0.13	2.12	3.61	4.10	15.74	24.66
Sulfur oxides	kg	1.94	3.01	0.00	0.03	1.16	1.50	0.78	1.48
Inhalable suspended particles	kg	1.13	1.75	0.01	0.16	0.35	0.40	0.77	1.20

Compared with 2019, the overall emissions of nitrogen oxides, sulfur oxides and inhalable suspended particles decreased by 37%, 35% and 36%, respectively. The use of vehicles has been greatly reduced mainly due to the pandemic.

Management Of Waste

Hazardous waste office consumables and waste equipment are generated by the Group, such as waste batteries and waste fluorescent lamps. Relevant hazardous wastes will be collected uniformly and handed over to professional contractors for treatment. Harmless waste mainly includes domestic garbage, waste paper and so on. The Group actively promoted the paperless policy, with the main measures as follows:

- Replace the traditional high paper consumption process with electronic system, and replace fax machine communication by email and other means

- Encourage reuse of paper and envelopes

- Implement waste paper recycling and classification in the office, and then deliver them to waste paper companies for centralized handling

Looking ahead, the Group will encourage employees to make good use of resources and reduce waste, such as promoting paperless policy and encouraging employees to bring their own tableware.

Result performance: total amount and density of hazardous wastes and harmless wastes

Environmental Key Performance Indicators	Unit	Total		Hong Kong		Shanghai		Guangzhou	
		2020	2019	2020	2019	2020	2019	2020	2019
Total amount of hazardous waste generated	tonnes	0.09	0.07	0.03	0.01	0.06	0.06	–	–
Density of hazardous waste (calculated in floor area)	tonnes/sq. m	0.01	0.01	0.03	0.01	0.01	0.01	–	–
Total amount of harmless waste produced	tonnes	24.48	36.77	3.03	4.97	19.03	29.82	2.42	1.98
Density of harmless waste (calculated in floor area)	tonnes/sq. m	3.85	4.39	3.48	5.09	4.04	4.49	3.16	2.59

Compared with 2019, the total amount and density of hazardous wastes increased by 30% and 55%, respectively. Waste fluorescent lamps mainly from Hong Kong offices are discarded. The total amount and density of harmless wastes decreased by 33% and 12%, respectively. Most people work at home due to the pandemic, and the related domestic garbage is reduced.

SUPPORTING COMMUNITY DEVELOPMENT

The Group believes that community investment and business operations are complementary to each other. Therefore, they shall maintain the trust of people from all walks of life in the Group. To reflect the Group's commitment to community investment, the Group formulated the Community Investment Policy Statement for the Year. The Group has strategically applied its skills and resources to different projects, plans and initiatives in the hope of bringing short-term and long-term positive impacts on community development. The Group is committed to supporting the community through different programs, including education and arts.

DEVELOPMENT OF EDUCATION

The Group believes in the concept of "Spreading Love and Education" and has been focusing on investing in the development of education. Special Education Foundation of Modern Media (established by the Group) aims to transform the life of the next generation by supporting education in mainland China. The foundation contributes to various education programs in the PRC, including construction of school campus, as well as volunteer services, donations of materials and other ways to help schools in mainland China, focusing more on the area of special education, disseminating social responsibility, and concerning the future of educational of children with disabilities.

Deliver warmth during the pandemic

In February 2020, due to the pandemic, there was lockdown in the surrounding area of Modern Communication Special Education School funded by the Group. Mr. Shao Zhong, founder of the Group, paid close attention to the health and safety of teachers and students in the school, and made timely donations to the school to purchase health and quarantine facilities for the school, including temperature detection equipment and personal protective equipment.

PROMOTING ART

Shao Zhong Art Development Foundation, a non-profitmaking organization founded by Mr. Shao Zhong, Chairman of the Board and founder, in August 2008, is dedicated to the incubation, development and dissemination of modern art. Since its establishment, it has supported and participated in a number of art-related public welfare projects, and will continue to promote the diversified development of modern art.

Looking ahead, the Group will continue to invest in the development of special education, do its best to support special school children to receive education, and formulate policies on community participation and investment, aiming at systematizing the planning process of community development activities.

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

Environmental Key Performance Indicators	Unit	Total		Hong Kong		Shanghai		Guangzhou	
		2020	2019[8]	2020	2019	2020	2019	2020	2019
Emissions category and related data									
Nitrogen oxides	kg	19.48	30.87	0.13	2.12	3.61	4.10	15.74	24.66
Sulfur oxides	kg	1.94	3.01	0.00	0.03	1.16	1.50	0.78	1.48
Inhalable suspended particles	kg	1.13	1.75	0.01	0.16	0.35	0.40	0.77	1.20
Emissions of greenhouse gas and density									
Scope 1	CO_2e	59.85	96.66	0.63	6.06	35.37	45.20	23.85	45.40
Scope 2	CO_2e	282.67	478.12	56.97	91.68	158.27	299.20	67.43	87.24
Scope 3	CO_2e	23.66	242.62	0.77	5.10	11.97	212.90	10.92	24.62
Total emissions of greenhouse gas	CO_2e	366.18	817.44	58.37	102.84	205.61	557.30	102.20	157.30
Greenhouse gas density (calculated in floor area)	CO_2e/sq. m	0.06	0.10	0.07	0.11	0.04	0.08	0.13	0.21
Total amount and density of hazardous wastes produced									
Total amount of hazardous waste generated	tonnes	0.09	0.07	0.03	0.01	0.06	0.06	–	–
Density of hazardous waste (calculated in floor area)	tonnes/sq. m	0.01	0.01	0.03	0.01	0.01	0.01	–	–
Total amount and density of harmless wastes produced									
Total amount of harmless waste produced	tonnes	24.48	36.77	3.03	4.97	19.03	29.82	2.42	1.98
Density of harmless waste (calculated in floor area)	tonnes/sq. m	3.85	4.39	3.48	5.09	4.04	4.49	3.16	2.59

8 In order to accurately compare the data for the Year with those of 2019, the data are re-presented to two decimal places, and some units of data are converted.

Environmental Key Performance Indicators	Unit	Total 2020	Total 2019[8]	Hong Kong 2020	Hong Kong 2019	Shanghai 2020	Shanghai 2019	Guangzhou 2020	Guangzhou 2019
Total direct/indirect energy consumption and density by type									
Petrol	MWh	244.34	383.90	2.16	20.60	144.65	181.20	97.53	182.10
Power	MWh	483.86	748.01	113.93	114.61	259.41	490.40	110.52	143.00
Total energy consumption	MWh	728.20	1,131.90	116.09	135.20	404.06	671.60	208.05	325.10
Intensity of energy (calculated in floor area)	MWh/sq. m	0.11	0.14	0.13	0.14	0.09	0.10	0.27	0.42
Water consumption in total and density									
Total water consumption	cu. m	1,239.20	1,121.95	89.00	73.00	584.20	1,048.95	566.00	–
Intensity of water consumption (calculated in floor area)	cu. m/sq. m	0.20	0.22	0.10	0.07	0.12	0.26	0.74	–

SOCIAL PERFORMANCE

Overview of Employees

		Unit	Total	Hong Kong	Shanghai	Guangzhou
Total[9]		Person	336	34	271	31
By employment category	Full time	Person	327	34	263	30
	Part time	Person	9	0	8	1
By gender	Male	Person	106	10	82	14
	Female	Person	230	24	189	17
By position	Chief executive officers	Person	13	1	5	7
	Senior management	Person	44	5	31	8
	Middle management	Person	66	9	41	16
	General staff	Person	213	19	194	0
By age group	Below 30	Person	131	9	122	0
	30 – 40	Person	119	10	100	9
	41 – 50	Person	54	9	35	10
	Over 50	Person	32	6	14	12
By region	Hong Kong	Person	32	30	2	0
	Mainland of China	Person	299	4	264	31
	Asia	Person	3	0	3	0
	Other areas	Person	2	0	2	0
Other laborers		Person	13	0	13	0

9 Include advisors and interns.

New employee hires and employee turnover

		Unit		Total		Hong Kong		Shanghai		Guangzhou	
Number and rate (%) of new hires[10]											
By employment type	Full time	person	%	54	17%	9	26%	44	17%	1	3%
	Part time	person	%	6	67%	0	N/A	6	75%	0	0%
By gender	Male	person	%	18	17%	2	20%	16	20%	0	0%
	Female	person	%	42	18%	7	29%	34	18%	1	6%
By age group	Below 30	person	%	32	24%	6	67%	25	20%	1	N/A
	30- 40	person	%	23	19%	1	10%	22	22%	0	0%
	41 - 50	person	%	4	7%	1	11%	3	9%	0	0%
	Over 50	person	%	1	3%	1	17%	0	0%	0	0%
Number and rate (%) of employee turnover[11]											
By employment type	Full time	person	%	136	42%	9	26%	120	46%	7	23%
	Part time	person	%	0	0%	0	N/A	0	0%	0	0%
By gender	Male	person	%	31	29%	3	30%	26	32%	2	14%
	Female	person	%	105	46%	6	25%	94	50%	5	29%
By age group	Below 30	person	%	53	40%	3	33%	49	40%	1	N/A
	30 – 40	person	%	56	47%	2	20%	50	50%	4	44%
	41 – 50	person	%	12	22%	2	22%	10	29%	0	0%
	Over 50	person	%	15	47%	2	33%	11	79%	2	17%

Health and Safety

	Unit	Total	Hong Kong	Shanghai	Guangzhou
Number of work-related fatalities	person	0	0	0	0
Rate of work-related fatalities	%	0	0	0	0
Number of work-related injury	Person	1	0	1	0
Number of lost days due to work injury	day	90	0	90	0

Suppliers

	Unit	Total	Hong Kong	Shanghai	Guangzhou
Number of Suppliers by Region					
Hong Kong	number	25	25	0	0
Mainland China	number	2,402	0	2,043	359
Oversea	number	76	0	67	9

Product Responsibility

	Unit	Total	Hong Kong	Shanghai	Guangzhou
Cases of product recycling due to violation of relevant consumer protection laws and regulations	case	0	0	0	0
Number of complaints about products or services	case	0	0	0	0

10 Ratio of new employees = (number of new employees/number of employees at the end of the Year) x 100%

11 Employee turnover ratio = (number of employees lost/number of employees at the end of the Year) x 100%

INDEX TO THE ESG REPORTING GUIDE

Subject areas	Description	Page
A1 Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste	74, 84–88
A1.1	The types of emissions and respective emissions data	87
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	84–85
A1.3	Total hazardous waste produced (in tonnes)	88
A1.4	Total non-hazardous waste produced (in tonnes)	88
A1.5	Description of measures to mitigate emissions and results achieved	84, 85, 87
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	87–88
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	85–86
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in ’000s) and intensity (e.g. per unit of production volume, per facility)	86
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	86
A2.3	Description of energy use efficiency initiatives and results achieved	85–86
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	86
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Due to the business nature of the Group, no packaging materials are used.
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources	84
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	84

Subject areas	Description	Page
B1 Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	75, 81–82
B1.1	Total workforce by gender, employment type, age group and geographical region	90
B1.2	Rate of resigned employees by gender, age group and geographical region	91
B2 Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	75, 83–84
B2.1	Number and rate of work-related fatalities	91
B2.2	Lost days due to work injury	91
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	83–84
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	81
B4 Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	75, 81–82
B4.1	Description of measures to review employment practices to avoid child and forced labour	82
B4.2	Description of the steps taken to eliminate violations when they are found	During the Year, the Group did not find any irregularities related to child labor or forced labor.
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	80
B5.1	Number of suppliers by region	80

Subject areas	Description	Page
B6 Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	75, 78–80
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	79
B6.2	Number of products and service related complaints received and how they are dealt with	79
B6.3	Description of practices relating to observing and protecting intellectual property rights	79
B6.4	Description of quality verification process and product recovery procedures	78–80
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	79
B7 Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	76, 78
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	76
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	78
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	88–89
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	88–89

Independent Auditor's Report

ZHONGHUI

To the shareholders of Modern Media Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 99 to 183, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Property, plant and equipment, right-of-use assets, intangible assets and goodwill

Refer to Note 16, Note 17, Note 19 and Note 20 to the consolidated financial statements

The Group tested the amount of property, plant and equipment, right-of-use assets, intangible assets and goodwill for impairment. This impairment test is significant to our audit because the balance of property, plant and equipment, right-of-use assets, intangible assets and goodwill of RMB148,115,000, RMB22,745,000, RMB52,593,000 and RMB43,725,000 respectively as at 31 December 2020 are material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

– Assessing the identification of the related cash generating units;

– Assessing the arithmetical accuracy of the value-in-use calculations;

– Comparing the actual cash flows with the cash flow projections;

– Assessing the reasonableness of the key assumptions (including average annual growth rate, gross margins, discount rates and long term growth rate);

– Checking input data to supporting evidence;

– Subjecting the key assumptions to sensitivity analysis;

– Checking the fair value of land and building.

We consider that the Group's impairment test for property, plant and equipment, right-of-use assets, intangible assets and goodwill is supported by the available evidence.

Trade and other receivables

Refer to Note 26 to the consolidated financial statements

The Group tested the amount of trade and other receivables for impairment. This impairment test is significant to our audit because the balance of trade and other receivables of RMB205,442,000 as at 31 December 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Obtaining an understanding of the Group's procedures on credit limits, credit periods given to customers, debt collection and estimate of Expected Credit Losses (the "ECL");
- Assessing the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL;
- Assessing the reasonableness of the Group's ECL models, including the model input and model design;
- Re-computing and testing the trade receivables ageing analysis, on a sample basis, to the source documents; and
- Challenging the information used to determine the ECL by considering cash collection performance against historical trends.
- Checking subsequent settlements from the customers and debtors;
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade and other receivables is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report *(continued)*

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:
http://www.hkicpa.org.hk/en/standards-and-regulations/standards/auditing-assurance/auditre/
This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Pang Hon Chung
Audit Engagement Director
Practising Certificate Number P05988
Hong Kong, 30 April 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Revenue	7	313,128	448,600
Cost of sales		(202,045)	(241,320)
Gross profit		111,083	207,280
Other income	8	1,573	7,018
Other (loss)/gains, net	9	(72)	650
Distribution expenses		(63,022)	(87,328)
Administrative expenses		(112,015)	(118,188)
(Loss)/profit from operations		(62,453)	9,432
Finance expenses	10	(6,907)	(6,530)
Share of losses of associates		(1,236)	(733)
Share of losses of a joint venture		–	(276)
Impairment loss on interests in associates		(1,178)	(1,084)
Impairment loss on interest in a joint venture		–	(530)
(Loss)/profit before tax	12	(71,774)	279
Income tax credit/(expenses)	11	1,799	(1,507)
Loss for the year		(69,975)	(1,228)
Other comprehensive expenses, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		(2,522)	(1,536)
Items that will not be subsequently reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		(516)	(2,403)
Other comprehensive expenses for the year		(3,038)	(3,939)
Total comprehensive expenses for the year		(73,013)	(5,167)

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

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		(78,267)	(2,635)
Non-controlling interests		8,292	1,407
		(69,975)	(1,228)
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(80,833)	(5,979)
Non-controlling interests		7,820	812
		(73,013)	(5,167)
Loss per share	15		
– Basic (RMB per share)		(0.1812)	(0.0061)
– Diluted (RMB per share)		(0.1812)	(0.0061)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment	16	148,115	163,632
Right-of-use assets	17	22,745	41,183
Investment properties	18	37,700	37,640
Intangible assets	19	52,593	65,697
Goodwill	20	43,725	51,637
Software development in progress	21	2,104	2,885
Interests in associates	22	–	2,350
Interest in a joint venture	23	–	–
Equity investments at fair value through other comprehensive income	24	–	549
Prepayment for property, plant and equipment	26	9,015	7,472
Deferred income tax assets	32	–	885
		315,997	373,930
Current assets			
Inventories	25	54,722	50,748
Trade and other receivables	26	205,442	292,595
Investments at fair value through profit or loss	27	25,307	–
Cash and cash equivalents		36,087	42,961
		321,558	386,304
Current liabilities			
Trade and other payables	28	106,771	101,781
Contract liabilities	29	4,375	9,368
Borrowings	30	103,301	130,001
Lease liabilities	31	13,489	19,908
Current income tax liabilities		8,029	9,555
		235,965	270,613
Net current assets		85,593	115,691
Total assets less current liabilities		401,590	489,621
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary		4,445	4,593
Borrowings	30	–	1,789
Lease liabilities	31	10,227	22,082
Deferred income tax liabilities	32	10,416	11,642
		25,088	40,106
NET ASSETS		376,502	449,515

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000 (Restated)
EQUITY			
Share capital	33	3,853	3,853
Reserves	35	307,554	388,387
Equity attributable to owners of the Company		311,407	392,240
Non-controlling interests		65,095	57,275
TOTAL EQUITY		376,502	449,515

The consolidated financial statements on pages 99 to 183 were approved and authorised for issue by the Board of Directors on 30 April 2021 and are signed on its behalf by:

Shao Zhong
Director

Yang Ying
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury shares RMB'000	Shares held for Share Award Scheme RMB'000	Share premium RMB'000	Other reserves RMB'000	Statutory surplus reserves RMB'000	Property revaluation reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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
Loss for the year (restated)	–	–	–	–	–	–	–	–	–	(2,635)	(2,635)	1,407	(1,228)
Other comprehensive expenses for the year (restated):													
– Exchange differences on translation of foreign operations (restated)	–	–	–	–	–	–	–	–	(941)	–	(941)	(595)	(1,536)
– Net movement in fair value reserve (non-recycling)	–	–	–	–	–	–	–	(2,403)	–	–	(2,403)	–	(2,403)
Total comprehensive expenses for the year (restated)	–	–	–	–	–	–	–	(2,403)	(941)	(2,635)	(5,979)	812	(5,167)
Transactions with owners													
Employees share award scheme	–	(6,983)	6,793	–	–	–	–	–	–	–	(190)	–	(190)
– Purchased	–	–	(190)	–	–	–	–	–	–	–	(190)	–	(190)
– Expiry	–	(6,983)	6,983	–	–	–	–	–	–	–	–	–	-
Appropriation to statutory surplus reserve	–	–	–	–	–	2,930	–	–	–	(2,930)	–	–	–
Acquisition of subsidiaries (restated)	–	–	–	–	–	–	–	–	–	–	–	2,825	2,825
Total transactions with owners (restated)	–	(6,983)	6,793	–	–	2,930	–	–	–	(2,930)	(190)	2,825	2,635
At 31 December 2019 (restated)	3,853	(6,983)	–	145,302	2,859	54,885	16,465	(6,053)	(426)	182,338	392,240	57,275	449,515
At 1 January 2020	3,853	(6,983)	-	145,302	2,859	54,885	16,465	(6,053)	(707)	185,334	394,955	57,889	452,844
Prior year adjustments	-	-	-	-	-	-	-	-	281	(2,996)	(2,715)	(614)	(3,329)
At 1 January 2020 (restated)	3,853	(6,983)	-	145,302	2,859	54,885	16,465	(6,053)	(426)	182,338	392,240	57,275	449,515
Loss for the year	-	-	-	-	-	-	-	-	-	(78,267)	(78,267)	8,292	(69,975)
Other comprehensive expenses for the year:													
– Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(2,050)	-	(2,050)	(472)	(2,522)
– Net movement in fair value reserve (non-recycling)	-	-	-	-	-	-	-	(516)	-	-	(516)	-	(516)
Total comprehensive expenses for the year	-	-	-	-	-	-	-	(516)	(2,050)	(78,267)	(80,833)	7,820	(73,013)
Transactions with owners													
Appropriation to statutory surplus reserve	-	-	-	-	-	(5,817)	-	-	-	5,817	-	-	-
At 31 December 2020	3,853	(6,983)	-	145,302	2,859	49,068	16,465	(6,569)	(2,476)	109,888	311,407	65,095	376,502

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(71,774)	279
Adjustments for:		
Depreciation of property, plant and equipment and right-of-use assets	26,882	31,300
Amortisation of intangible assets	12,331	14,513
Expected credit loss allowance for trade receivables recognised/(reversed), net	1,445	(228)
Interest income	(147)	(34)
Finance expenses	6,907	6,530
Share of losses of associates	1,236	733
Share of losses of a joint venture	–	276
Impairment loss on interests in associates	1,178	1,084
Impairment loss on interest in a joint venture	–	530
Impairment loss on other receivables	1,797	–
Net loss on disposal of property, plant and equipment	125	–
Change in fair value of investment properties	(60)	(260)
Loss on disposal of a subsidiary	2,951	–
Impairment of goodwill	5,809	800
Net loss/(gain) on modification of leases	137	(69)
Operating cash flows before working capital changes	(11,183)	55,454
Change in trade and other receivables	77,760	(21,784)
Change in inventories	(6,135)	6,159
Change in trade and other payables	5,345	11,389
Change in contract liabilities	(4,993)	(5,540)
Cash generated from operations	60,794	45,678
Income tax paid	(36)	(499)
Net cash generated from operating activities	60,758	45,179
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	128	34
Purchase of investments at fair value through profit or loss	(25,288)	–
Payment for purchase of intangible assets	(31)	(11)
Purchase of property, plant and equipment	(2,877)	(4,678)
Proceeds from disposal of property, plant and equipment	8	91
Payments for software development in progress	–	(8,880)
Advance to a joint venture	–	(530)
Prepayments for property, plant and equipment	(1,543)	(2,238)
Payment for acquisition of subsidiaries, net of cash and cash equivalents acquired	–	(5,883)
Change in amount due from a director	4,000	(4,000)
Net cash used in investing activities	(25,603)	(26,095)

Consolidated Statement of Cash Flows *(continued)*

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	36,200	35,225
Repayment of borrowings	(60,102)	(6,224)
Purchase of shares for the Share Award Scheme	–	(190)
Interest paid	(5,263)	(4,428)
Repayment of lease liabilities and interest	(16,371)	(18,424)
Net cash (used in)/generated from financing activities	(45,536)	5,959
Net (decrease)/increase in cash and cash equivalents	(10,381)	25,043
Effect of change in foreign exchange rate	3,507	–
Cash and cash equivalents at beginning of year	42,961	17,918
Cash and cash equivalents at end of year	36,087	42,961
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	36,087	42,961

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 213, 2/F, Block 2, 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 Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

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

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

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. PRIOR YEAR ADJUSTMENT

Consolidation and business combination

Based on full facts and circumstances available to the management of the Company (the "Management") in February 2021, they considered that the acquisition of Art Review Ltd. ("Art Review"), a 85%-owned subsidiary of the Company and a company incorporated in the United Kingdom (the "UK"), should have been completed in June 2019.

During the preparation for the consolidated financial statements for the year ended 31 December 2020, the Management has reassessed the acquisition progress of Art Review. After reviewing all relevant acquisition completion documents, the Management considered that the Group has been able to exercise control over Art Review in accordance with IFRS 10 Consolidated Financial Statements upon the completion of acquisition in June 2019. As a result, the Management has made a restatement in the comparative figures to effect the business combination from June 2019 in accordance with IFRS 3 (Revised) Business Combinations. The fair value of assets acquired, liabilities assumed and the non-controlling interest at the date of completion of Art Review is presented in note 36(b).

The following tables disclose the restatement that has been made in order to reflect the above correction to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2019 and consolidated statement of financial position as at 31 December 2019 as previously reported:

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2020

3. PRIOR YEAR ADJUSTMENT *(continued)*

Consolidation and business combination *(continued)*

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	As previously reported	Effect of prior year's adjustment	As restated
	RMB'000	RMB'000	RMB'000
Revenue	446,065	2,535	448,600
Cost of sales	(239,762)	(1,558)	(241,320)
Gross profit	206,303	977	207,280
Other income	7,023	(5)	7,018
Other gains, net	1,003	(353)	650
Distribution expenses	(87,328)	–	(87,328)
Administrative expenses	(114,184)	(4,004)	(118,188)
Profit from operations	12,817	(3,385)	9,432
Finance expenses	(6,480)	(50)	(6,530)
Share of losses of associates	(733)	–	(733)
Share of losses of a joint venture	(276)	–	(276)
Impairment loss on interests in associates	(1,084)	–	(1,084)
Impairment loss on interest in a joint venture	(530)	–	(530)
Profit before tax	3,714	(3,435)	279
Income tax expenses	(1,507)	–	(1,507)
Profit/(loss) for the year	2,207	(3,435)	(1,228)

3. PRIOR YEAR ADJUSTMENT (continued)

Consolidation and business combination (continued)

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 *(continued)*

	As previously reported RMB'000	Effect of prior year's adjustment RMB'000	As restated RMB'000
Other comprehensive expenses, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries	(1,844)	308	(1,536)
Items that will not be subsequently reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(2,403)	–	(2,403)
Other comprehensive expenses for the year	(4,247)	308	(3,939)
Total comprehensive expenses for the year	(2,040)	(3,127)	(5,167)
Profit/(loss) for the year attributable to:			
Owners of the Company	361	(2,996)	(2,635)
Non-controlling interests	1,846	(439)	1,407
	2,207	(3,435)	(1,228)
Total comprehensive expenses for the year attributable to:			
Owners of the Company	(3,264)	(2,715)	(5,979)
Non-controlling interests	1,224	(412)	812
	(2,040)	(3,127)	(5,167)
Earnings/(loss) per share			
– Basic (RMB per share)	0.0008	(0.0069)	(0.0061)
– Diluted (RMB per share)	0.0008	(0.0069)	(0.0061)

3. PRIOR YEAR ADJUSTMENT *(continued)*

Consolidation and business combination *(continued)*

Consolidated statement of financial position as at 31 December 2019

	As previously reported RMB'000	Effect of prior year's adjustment RMB'000	As restated RMB'000
Non-current assets			
Property, plant and equipment	163,258	374	163,632
Right-of-use assets	39,301	1,882	41,183
Investment properties	37,640	–	37,640
Intangible assets	58,766	6,931	65,697
Goodwill	43,091	8,546	51,637
Software development in progress	2,885	–	2,885
Interests in associates	2,350	–	2,350
Interest in a joint venture	–	–	–
Equity investments at fair value through other comprehensive income	549	–	549
Prepayment for property, plant and equipment	7,472	–	7,472
Prepayment for acquisition of a subsidiary	919	(919)	–
Deferred income tax assets	885	–	885
	357,116	16,814	373,930
Current assets			
Inventories	50,748	–	50,748
Trade and other receivables	293,349	(754)	292,595
Cash and cash equivalents	42,581	380	42,961
	386,678	(374)	386,304
Current liabilities			
Trade and other payables	89,802	11,979	101,781
Contract liabilities	9,368	–	9,368
Borrowings	130,001	–	130,001
Lease liabilities	19,300	608	19,908
Current income tax liabilities	9,555	–	9,555
	258,026	12,587	270,613
Net current assets	128,652	(12,961)	115,691
Total assets less current liabilities	485,768	3,853	489,621

3. PRIOR YEAR ADJUSTMENT *(continued)*

Consolidation and business combination *(continued)*

Consolidated statement of financial position as at 31 December 2019 *(continued)*

	As previously reported RMB'000	Effect of prior year's adjustment RMB'000	As restated RMB'000
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary	–	4,593	4,593
Borrowings	1,789	–	1,789
Lease liabilities	20,770	1,312	22,082
Deferred income tax liabilities	10,365	1,277	11,642
	32,924	7,182	40,106
NET ASSETS	452,844	(3,329)	449,515
EQUITY			
Share capital	3,853	–	3,853
Reserves	391,102	(2,715)	388,387
Equity attributable to owners of the Company	394,955	(2,715)	392,240
Non-controlling interests	57,889	(614)	57,275
TOTAL EQUITY	452,844	(3,329)	449,515

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, except for investment properties, equity investments at fair value through other comprehensive income, and investments at fair value through profit or loss which are stated at fair values.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the board of directors of the Group (the "Directors") to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are further disclosed in note 5 to the consolidated financial statements.

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation (continued)

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive expenses for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, investments at fair value through profit or loss), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation

a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong Dollars (the "HKD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in Renminbi (the "RMB"), unless otherwise stated.

b) **Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currency translation *(continued)*

c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

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

– Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

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

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in consolidated profit or loss.

Investment properties

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is recognised as a revaluation of property, plant and equipment.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land and buildings	2 – 4 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in consolidated profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Group as lessor

Operating leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

(a) Software and mobile applications

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

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

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

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

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

(b) Other intangible assets

Other intangible assets mainly include publishing rights, customer relationships, trademarks, domains and IT platforms and film distribution right. Intangible assets with a finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives including trademark are carried at cost less any subsequent accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

(c) Amortisation

Amortisation commences when the intangible assets are available for use. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives, as follows:

Publishing rights	6 to 7 years
Customer relationships	3 to 5 years
Trademarks	Indefinite useful life
Domains and IT platforms	3 to 10 years
Software, website and mobile applications	3 to 5 years
Others (other than film distribution right)	15 years

Film distribution right is amortised based on the proportion of actual revenue earned during the year to total estimated projected revenue.

Inventories

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

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the following categories:

(i) Financial assets at amortised cost;

(ii) Equity investments at fair value through other comprehensive income; and

(iii) Investments at fair value through profit or loss.

Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

– the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Equity investments at fair value through other comprehensive income

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments that are not held for trading as at fair value through other comprehensive income.

Equity investments at fair value through other comprehensive income are subsequently measured at fair value with gains and losses arising from changes in fair values recognised in other comprehensive income and accumulated in the equity investment revaluation reserve. On derecognition of an investment, the cumulative gains or losses previously accumulated in the equity investment revaluation reserve are not reclassified to profit or loss.

Dividends on these investments are recognised in profit or loss, unless the dividends clearly represent a recovery of part of the cost of the investment.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial assets *(continued)*

Investments at fair value through profit or loss

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The fair value gains or losses recognised in profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost and contract assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables and contract assets, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables and contract assets) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

Other financial liabilities

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease terms.

Employee benefits

a) **Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

b) **Pension obligations**

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

c) **Termination benefits**

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Deferred tax for investment properties

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the Director has reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment properties, the Director has rebutted the presumption that investment properties measured using the fair value model are recovered through sale.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(continued)*

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

a) **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was RMB43,725,000 after an impairment loss of RMB5,809,000 was recognised during the year ended 31 December 2020. Details of the impairment loss calculation are provided in note 20 to consolidated financial statements.

b) **Provision for expected credit losses ("ECL") for trade and other receivables**

The Group's management determines the provision for ECL of trade and other receivables on a forward-looking basis and the ECL are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month ECL. In making the judgment, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables within the scope of ECL under IFRS 9 and credit losses in the periods in which such estimate has been changed.

c) **Property, plant and equipment and depreciation**

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

d) **Intangible assets and amortisation**

The Group determines the estimated useful lives, residual values and related amortisation charges for the Group's intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

b) Credit risk

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2020 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade and other receivables, investments at fair value through profit or loss, and cash and cash equivalents. In order to minimise credit risk, the Directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the Directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on investments at fair value through profit or loss and bank and cash balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;

– actual or expected significant changes in the operating results of the customer;

– significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers.

6. FINANCIAL RISK MANAGEMENT *(continued)*

b) Credit risk *(continued)*

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a customer failing to engage in a repayment plan with the Group. The Group normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 3 years past due. Where loans or receivables have been written off, the Group, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

The Group uses two categories for non-trade receivables which reflect their credit risk and how the loan loss provision is determined for each of the categories. In calculating the expected credit loss rates, the Group considers historical loss rates for each category and adjusts for forward looking data.

Category	Definition	Loss provision
Performing	Low risk of default and strong capacity to pay	12 month expected losses
Non-performing	Significant increase in credit risk	Lifetime expected losses

6. FINANCIAL RISK MANAGEMENT *(continued)*

c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Within 1 year or on demand RMB'000	**More than 1 year but less than 2 years** RMB'000	**Total contractual undiscounted cash flows** RMB'000	**Carrying amount** RMB'000
At 31 December 2020				
Trade and other payables	100,620	–	100,620	100,620
Amount due to a non-controlling shareholder of a subsidiary	4,445	–	4,445	4,445
Borrowings	106,610	–	106,610	103,301
	211,675	–	211,675	208,366

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2019				
Trade and other payables (restated)	94,223	–	94,223	94,223
Amount due to a non-controlling shareholder of a subsidiary (restated)	4,593	–	4,593	4,593
Borrowings	130,252	1,811	132,063	131,790
	229,068	1,811	230,879	230,606

6. FINANCIAL RISK MANAGEMENT *(continued)*

c) Liquidity risk *(continued)*

Secured borrowings of RMB98,244,000 (2019: RMB109,697,000) with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not consider that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The management believes that the term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The maturity analysis of the Group's borrowings by expected repayment dates is summarised as follows. The amounts include interest payments computed using contractual rates.

	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000
At 31 December 2020					
Borrowings	76,476	3,177	9,532	21,185	110,370
At 31 December 2019					
Borrowings	87,376	20,730	10,126	24,209	142,441

d) Interest rate risk

The Group's exposure to fair value interest rate risk arises primarily from the Group's interest-bearing borrowings which carry interest at fixed rates.

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

6. FINANCIAL RISK MANAGEMENT *(continued)*

e) Categories of financial instruments at 31 December

	2020 RMB'000	2019 RMB'000 (Restated)
Financial assets:		
Equity investments at fair value through other comprehensive income	–	549
Investments at fair value through profit or loss	25,307	–
Financial assets at amortised cost (including cash and cash equivalents)	212,775	296,546
Financial liabilities:		
Financial liabilities at amortised cost	208,366	230,606

f) Fair value

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

6. FINANCIAL RISK MANAGEMENT *(continued)*

f) Fair value *(continued)*

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurements using Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Investments at fair value through profit or loss ("IFVPL")				
– Wealth management products	–	–	25,307	25,307
Investment properties				
– Residential units – PRC	–	–	37,700	37,700
	–	–	63,007	63,007
At 31 December 2019				
Equity investments at fair value through other comprehensive income ("EIFVOCI")				
– Unlisted equity investments	–	–	549	549
Investment properties				
– Residential units – PRC	–	–	37,640	37,640
	–	–	38,189	38,189

6. FINANCIAL RISK MANAGEMENT *(continued)*

f) Fair value *(continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

	2020 RMB'000 IFVPL	2020 RMB'000 EIFVOCI	2020 RMB'000 Investment properties	2020 RMB'000 Total
At 1 January	–	549	37,640	38,189
Acquired during the year	25,288	–	–	25,288
Total gains or losses recognised in profit or loss (#)	19	–	60	79
Total gains or losses recognised in other comprehensive expenses	–	(516)	–	(516)
Exchange difference	–	(33)	–	(33)
At 31 December	25,307	–	37,700	63,007
(#) Include gains or losses for assets held at end of reporting period	19	–	60	79

	2019 RMB'000 EIFVOCI	2019 RMB'000 Investment properties	2019 RMB'000 Total
At 1 January	3,071	37,380	40,451
Total gains or losses recognised in profit or loss(#)	–	260	260
Total gains or losses recognised in other comprehensive expenses	(2,403)	–	(2,403)
Exchange difference	(119)	–	(119)
At 31 December	549	37,640	38,189
(#) Include gains or losses for assets held at end of reporting period	–	260	260

6. FINANCIAL RISK MANAGEMENT *(continued)*

f) Fair value *(continued)*

(c) Disclosures of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2020 and 2019:

The Director is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

The Group's investment properties are revalued at 31 December 2020 and 2019 by independent professionally qualified valuer, DTZ Debenham Tie Leung Shenzhen Valuation Company Limited, who has the recent experience in the location and category of properties being valued. The fair value measurement is based on the properties' highest and best use, which does not differ from their actual use.

Key unobservable inputs used in level 3 fair value measurements are mainly:

Description	Valuation techniques	Significant unobservable inputs	Range As at 31 December		Effect on fair value for increase of inputs
			2020	2019	
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (RMB/sq.m)	200 – 231	215 – 222	Increase
		Capitalisation rate of reversionary income	6.0% – 6.5%	6.0% – 6.5%	Decrease
Equity investments at fair value through other comprehensive income	Adjusted net asset method	The effects of unobservable inputs are not significant for equity investments			
Wealth management products	Discount cash flows model	Estimated return	2.82%-3.25%	N/A	Increase

There have been no transfer into or out of Level 3 during the years ended 31 December 2020 and 2019.

7. REVENUE AND SEGMENT INFORMATION

The chief operating decision-makers mainly include 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, share of losses of associates and a joint venture, impairment loss on interests in associates and a joint venture, change in fair value of investment properties, impairment loss on goodwill, loss on disposal of a subsidiary and other unallocated head office and corporate expenses.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of segment. Investment properties, interests in associates and a joint venture, equity investments at fair value through other comprehensive income, deferred income tax assets, certain other receivables, investments at fair value through profit or loss, cash and cash equivalents and corporate and unallocated assets are not considered to be segment assets but rather are managed by the treasury function.

Information about segment liabilities are not regularly reviewed by chief operating decision-makers. Accordingly, segment liability information is not presented.

The Group has two (2019: two) reportable segments as described below, which are the Group's strategic business units. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit/loss 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 platform (previously known as 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 platform (previously known as 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.

7. REVENUE AND 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:

	2020 RMB'000	2019 RMB'000 (Restated)
Reportable segment:		
– Print media and art platform	180,112	266,749
– Digital platform	131,392	187,221
	311,504	453,970
Revenue derived from other operations	2,609	3,616
Less: sales taxes and other surcharges	(985)	(8,986)
	313,128	448,600
Types of goods or services:		
– Advertising income	241,977	339,972
– Production, event and service income	51,004	68,449
– Sales of artworks and goods	37	20,768
– Circulation and subscription income	12,970	12,296
– Revenue from restaurant operation	5,103	4,909
– Rental income	2,037	2,206
	313,128	448,600
Timing of revenue recognition under IFRS 15:		
– At a point in time	5,140	25,677
– Over time	305,951	420,717
Revenue from contract with customers	311,091	446,394
Rental income	2,037	2,206
Total revenue	313,128	448,600

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2020

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2020 and 2019 were set out as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Reportable segment results:		
– Print media and art platform	(54,555)	25,869
– Digital platform	36,924	28,673
	(17,631)	54,542
Revenue derived from other operations	2,609	3,616
Depreciation	(24,933)	(30,986)
Amortisation	(12,331)	(14,513)
Finance expenses	(6,907)	(6,530)
Share of losses of associates	(1,236)	(733)
Share of losses of a joint venture	–	(276)
Impairment loss on interests in associates	(1,178)	(1,084)
Impairment loss on interest in a joint venture	–	(530)
Impairment loss on goodwill	(5,809)	(800)
Loss on disposal of a subsidiary	(2,951)	–
Change in fair value of investment properties	60	260
Unallocated head office and corporate expenses	(1,467)	(2,687)
(Loss)/profit before tax	(71,774)	279

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA *(continued)*

	Depreciation RMB'000	Amortisation RMB'000	Finance expenses RMB'000
Year ended 31 December 2020			
Reportable segment:			
– Print media and art platform	19,044	710	5,307
– Digital platform	5,889	11,621	1,600
	24,933	12,331	6,907
Year ended 31 December 2019 (Restated)			
Reportable segment:			
– Print media and art platform	27,354	997	5,743
– Digital platform	3,632	13,516	787
	30,986	14,513	6,530

(c) Total assets

	2020 RMB'000	2019 RMB'000 (Restated)
Reportable segment:		
– Print media and art platform	212,149	293,976
– Digital platform	267,135	304,285
	479,284	598,261
Corporate and unallocated assets	8,417	9,133
Investment properties	37,700	37,640
Interests in associates	–	2,350
Equity investments at fair value through other comprehensive income	–	549
Deferred income tax assets	–	885
Other receivables	50,760	68,455
Investments at fair value through profit or loss	25,307	–
Cash and cash equivalents	36,087	42,961
Total assets	637,555	760,234

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(c) Total assets *(continued)*

Additions to non-current segment assets during the year were as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Reportable segment:		
– Print media and art platform	3,813	81,802
– Digital platform	2,853	39,736
	6,666	121,538

(d) Geographic information

The geographic location of the Group's property, plant and equipment, right-of-use assets, investment properties, intangible assets, goodwill, software development in progress, interests in associates and a joint venture, prepayments for property, plant and equipment and prepayment for acquisition of a subsidiary ("specified non-current assets") are mainly in the PRC, Hong Kong and the UK as at 31 December 2020 and 2019.

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

Specified non-current assets by geographical location as at 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
The PRC	213,342	254,058
Hong Kong	81,160	95,480
The UK	21,495	22,958
	315,997	372,496

7. REVENUE AND SEGMENT INFORMATION *(continued)*

(d) Geographic information *(continued)*

Revenue by geographical location for the years ended 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
The PRC	268,436	377,252
Hong Kong	28,566	56,422
The UK	16,126	14,926
	313,128	448,600

Revenue from customers which individually contributed over 10% of the Group's revenue for print media and art platform and digital platform segment was as follows:

	2020 RMB'000	2019 RMB'000
Customer A	35,343	58,326
Customer B	31,480	N/A*

* The revenue from Customer B contributed not over 10% of the Group's revenue for print media and art platform and digital platform segment in 2019, therefore the amount is not disclosed.

8. OTHER INCOME

		2020 RMB'000	2019 RMB'000 (Restated)
PRC government subsidies	Note a	1,421	2,882
Compensation of operating profit guarantee	Note b	–	3,774
Bank interest income		128	34
Interest income from investments at fair value through profit and loss		19	–
Others		5	328
		1,573	7,018

Note a: PRC government subsidies represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

Note b: During the year ended 31 December 2019, the Group was entitled to receive a profit guarantee compensation amounting to RMB3,774,000, net of value-added tax, from Mr. Li Jian, a director of the Group in relation to an operating profit guarantee arrangement on a business unit of the Group provided by him. According to the arrangement, the Group has the right to be compensated with the shortfall between the target and operation profits of that business unit for the year ended 31 December 2019.

9. OTHER (LOSS)/GAINS, NET

	2020 RMB'000	2019 RMB'000 (Restated)
Change in fair value of investment properties	60	260
Net loss on disposal of property, plant and equipment	(125)	–
Exchange differences	130	321
Net (loss)/gain on modification of leases	(137)	69
	(72)	650

10. FINANCE EXPENSES

	2020 RMB'000	2019 RMB'000 (Restated)
Lease interests	1,644	1,830
Interest expenses on:		
– Secured bank borrowings	4,181	3,887
– Other unsecured borrowings	1,082	813
	6,907	6,530

11. INCOME TAX (CREDIT)/EXPENSES

Income tax has been recognised in consolidated profit or loss as following:

	2020 RMB'000	2019 RMB'000
Current income tax – Hong Kong Profits Tax		
Provision for the year	–	651
Over-provision in prior years	(736)	–
Current income tax – PRC Corporate Income Tax		
Provision for the year	–	687
(Over)/under-provision in prior years	(770)	104
Deferred income tax	(293)	65
	(1,799)	1,507

No provision for Hong Kong Profits Tax has been made since the Group has sufficient tax losses brought forward to set off against current year's assessable profit or did not generate any assessable profits for the year ended 31 December 2020. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2019. No provision for PRC Corporate Income Tax has been made since the Group has sufficient tax losses brought forward to set off against current year's assessable profits or did not generate any assessable profits for the year ended 31 December 2020. PRC Corporate Income Tax has been provided at a rate of 25% on the estimated assessable profit for the year ended 31 December 2019. No provision for UK Corporation Tax has been made since the Group did not generate any assessable profits for the years ended 31 December 2020 and 2019.

11. INCOME TAX (CREDIT)/EXPENSES *(continued)*

The reconciliation between the income tax (credit)/expenses and the product of (loss)/profits before tax multiplied by the applicable tax rates is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
(Loss)/profit before tax	(71,774)	279
Tax calculated at statutory tax rate of 25%	(17,944)	70
Tax effect of		
– effect of differential tax rate on income	3,223	1,577
– non-deductible expenses	3,500	1,921
– non-taxable income	(399)	(294)
– utilisation of previously unrecognised tax losses	(1,274)	(8,126)
– tax losses not recognised	11,997	5,057
– income tax on dividends and service charge	–	687
– adjustment in respect of prior years	(1,506)	104
– tax effect of associates and joint venture's results and impairment loss	604	656
– tax effect of two-tiered profits tax rates regime	–	(145)
Income tax (credit)/expenses	(1,799)	1,507

12. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is stated after charging/(crediting) the following:

	2020 RMB'000	2019 RMB'000 (Restated)
Cost of artworks sold	22	7,520
Cost of restaurant operation	1,487	2,691
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	86,676	123,473
– Pension costs-defined contribution plans	8,558	22,645
– Termination benefits	2,813	4,214
	98,047	150,332
Less: amount capitalised to software development in progress	–	(8,880)
	98,047	141,452
Impairment loss on goodwill	5,809	800
Impairment loss on other receivables	1,797	–
Amortisation of intangible assets	12,331	14,513
Depreciation of property, plant and equipment and right-of-use assets	26,882	31,300
Net loss on disposal of property, plant and equipment	125	–
Loss on disposal of a subsidiary	2,951	–
Auditors' remuneration		
– Audit services	1,180	1,666
– Non-audit services	100	250
ECL allowance for trade receivables recognised/(reversed), net	1,445	(228)
Expenses related to short-term leases	5,129	5,672

13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The remuneration of each Director is as follows:

		Year ended 31 December 2020 Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
		Directors' fees RMB'000	Salaries RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Shao Zhong	(Note (a))	–	3,355	45	3,400
Mr. Mok Chun Ho, Neil	(Note (b))	–	442	15	457
Ms. Yang Ying		–	1,800	52	1,852
Mr. Li Jian		–	1,200	38	1,238
Mr. Deroche Alain, Jean-Marie, Jacques		–	1,896	16	1,912
		–	8,693	166	8,859
Independent non-executive Directors					
Ms. Wei Wei	(Note (c))	11	–	–	11
Mr. Wang Shi	(Note (d))	121	–	–	121
Dr. Gao Hao		132	–	–	132
Mr. Yick Wing Fat Simon		214	–	–	214
		478	–	–	478
Total		478	8,693	166	9,337

13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES *(continued)*

(a) Directors' emoluments *(continued)*

		Year ended 31 December 2019 Emoluments paid or receivable in respect of a person's services as a Director whether of the Company or its subsidiary undertaking			
		Directors' fees RMB'000	Salaries RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive Directors					
Mr. Shao Zhong	(Note (a))	–	3,324	100	3,424
Mr. Mok Chun Ho, Neil	(Note (b))	–	1,624	56	1,680
Ms. Yang Ying		–	1,800	100	1,900
Mr. Li Jian		–	1,200	86	1,286
Mr. Deroche Alain, Jean-Marie, Jacques		–	1,896	16	1,912
		–	9,844	358	10,202
Independent non-executive Directors					
Mr. Jiang Nanchun	(Note (e))	55	–	–	55
Mr. Wang Shi	(Note (d))	132	–	–	132
Mr. Au-Yeung Kwong Wah	(Note (f))	248	–	–	248
Dr. Gao Hao		132	–	–	132
Mr. Yick Wing Fat Simon		60	–	–	60
		627	–	–	627
Total		627	9,844	358	10,829

Notes:

(a) Mr. Shao Zhong is also the chief executive officer of the Company.

(b) Mr. Mok Chun Ho, Neil has tendered his resignation with effect from 9 April 2020.

(c) Ms. Wei Wei was appointed on 8 December 2020.

(d) Mr. Wang Shi has tendered his resignation with effect from 8 December 2020.

(e) Mr. Jiang Nanchun has retired on 29 May 2019.

(f) Mr. Au-Yeung Kwong Wah has tendered his resignation with effect from 30 September 2019.

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

13. BENEFITS AND INTERESTS OF DIRECTORS AND EMPLOYEES *(continued)*

(b) Directors' material interests in transactions, arrangements or contracts

As at 31 December 2020 and 2019, Mr. Shao is entrusted as registered shareholder of certain investments in subsidiaries and equity investments at fair value through other comprehensive income on behalf of the Group. Saved as disclosed in elsewhere in the consolidated financial statements, there were no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

(c) Five highest paid individuals

The five highest paid individuals in the Group during the year included four (2019: four) Directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining one (2019: one) individual are set out below:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	1,302	1,298
Retirement scheme contributions	11	11
	1,313	1,309

The emoluments fell within the following band:

	Number of individuals	
	2020	2019
HK$1,000,001 – HK$1,500,000	1	1

During the year, no emoluments were paid by the Group to any of the Directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

15. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2020 RMB'000	2019 RMB'000 (Restated)
Loss		
Loss for the year for the purpose of calculating basic and diluted earnings per share	(78,267)	(2,635)
Number of shares	'000	'000
Issued ordinary shares as at 1 January	438,353	438,353
Weighted average number of shares held for Share Award Scheme	–	(5,376)
Weighted average number of treasury shares held	(6,359)	(436)
Weighted average number of ordinary shares in issue	431,994	432,541

The basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during both years.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000 (Restated)	Furniture and fixtures RMB'000 (Restated)	Motor vehicles RMB'000	Total RMB'000 (Restated)
At 1 January 2019						
Cost	153,954	70,629	36,021	31,434	15,669	307,707
Accumulated depreciation	(18,920)	(50,718)	(32,623)	(16,296)	(11,470)	(130,027)
Net carrying amount	135,034	19,911	3,398	15,138	4,199	177,680
Year ended 31 December 2019						
Opening net carrying amount	135,034	19,911	3,398	15,138	4,199	177,680
Additions	1,126	2,426	657	449	20	4,678
Acquisition of subsidiaries	–	–	596	58	–	654
Disposals	–	–	(63)	(11)	(17)	(91)
Depreciation charge	(3,081)	(5,962)	(1,058)	(2,954)	(1,142)	(14,197)
Transfer to inventory	–	–	–	(6,871)	–	(6,871)
Currency translation differences	1,563	69	10	117	20	1,779
Closing net carrying amount	134,642	16,444	3,540	5,926	3,080	163,632
At 31 December 2019 and 1 January 2020						
Cost	156,818	73,171	36,803	17,842	15,427	300,061
Accumulated depreciation	(22,176)	(56,727)	(33,263)	(11,916)	(12,347)	(136,429)
Net carrying amount	134,642	16,444	3,540	5,926	3,080	163,632
Year ended 31 December 2020						
Opening net carrying amount	134,642	16,444	3,540	5,926	3,080	163,632
Additions	–	1,666	904	307	–	2,877
Disposals	–	–	(133)	–	–	(133)
Transfer to inventory	–	–	–	(705)	–	(705)
Depreciation charge	(3,029)	(5,723)	(961)	(1,359)	(987)	(12,059)
Currency translation differences	(4,945)	(213)	(26)	(257)	(56)	(5,497)
Closing net carrying amount	126,668	12,174	3,324	3,912	2,037	148,115
At 31 December 2020						
Cost	151,268	74,466	34,622	15,944	15,163	291,463
Accumulated depreciation	(24,600)	(62,292)	(31,298)	(12,032)	(13,126)	(143,348)
Net carrying amount	126,668	12,174	3,324	3,912	2,037	148,115

As at 31 December 2020, certain buildings in the PRC and Hong Kong with carrying amounts of approximately RMB92,611,000 (2019: RMB99,920,000) have been pledged as collaterals for the Group's bank borrowings, amounting to approximately RMB88,243,000 (2019: RMB76,697,000).

17. LEASES AND RIGHT-OF-USE ASSETS

Disclosures of lease-related items:

	2020 RMB'000	2019 RMB'000 (Restated)
At 31 December:		
Right-of-use assets		
– Land and buildings	22,745	41,183
Lease commitments of short-term leases	121	67
The maturity analysis based on undiscounted cash flows, of the Group's lease liabilities is as follows:		
– Less than 1 year	14,390	21,687
– Between 1 and 2 years	10,475	12,982
– Between 2 and 5 years	–	10,271
	24,865	44,940

	2020 RMB'000	2019 RMB'000 (Restated)
Year ended 31 December:		
Depreciation charge of right-of-use assets		
– Land and buildings	14,823	17,103
Lease interests	1,644	1,830
Expenses related to short-term leases	5,129	5,672
Total cash outflow for leases	21,500	24,096
Additions to right-of-use assets	1,694	33,172

The Group leases various land and buildings. Lease agreements are typically made for fixed periods of 2 to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

18. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 January	37,640	37,380
Changes in fair value of investment properties recognised in profit or loss	60	260
At 31 December	37,700	37,640

The Group has used presumption that the carrying amount of the investment properties would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment properties using income tax rate.

As at 31 December 2020, the investment properties in the PRC with carrying amounts of approximately RMB37,700,000 (2019: RMB37,640,000) have been pledged as collaterals for the Group's bank borrowings, amounting to approximately RMB22,000,000 (2019: RMB23,000,000).

19. INTANGIBLE ASSETS

	Publishing rights RMB'000 (Restated)	Customer relationships RMB'000	Trademarks domains and IT platforms RMB'000	Software, website and mobile applications RMB'000 (Restated)	Others RMB'000	Total RMB'000 (Restated)
At 1 January 2019						
Cost	3,000	10,382	14,705	83,922	4,434	116,443
Accumulated amortisation	(3,000)	(10,382)	(6,697)	(46,174)	(2,134)	(68,387)
Net book amount	–	–	8,008	37,748	2,300	48,056
Year ended 31 December 2019						
Opening net book amount	–	–	8,008	37,748	2,300	48,056
Transferred from software development in progress	–	–	–	8,986	–	8,986
Acquisition of subsidiaries	6,432	–	12,801	232	–	19,465
Transferred from prepayment	–	–	–	–	3,296	3,296
Amortisation charge	–	–	(1,274)	(12,990)	(249)	(14,513)
Currency translation differences	288	–	70	20	29	407
Closing net book amount	6,720	–	19,605	33,996	5,376	65,697
At 31 December 2019 and 1 January 2020						
Cost	9,720	10,382	27,596	93,232	7,781	148,711
Accumulated amortisation	(3,000)	(10,382)	(7,991)	(59,236)	(2,405)	(83,014)
Net book amount	6,720	–	19,605	33,996	5,376	65,697
Year ended 31 December 2020						
Opening net book amount	6,720	–	19,605	33,996	5,376	65,697
Transferred from software development in progress	–	–	–	781	–	781
Disposal of a subsidiary	–	–	(939)	–	–	(939)
Amortisation charge	–	–	(353)	(11,745)	(233)	(12,331)
Currency translation differences	(216)	–	(330)	21	(90)	(615)
Closing net book amount	6,504	–	17,983	23,053	5,053	52,593
At 31 December 2020						
Cost	9,504	10,382	23,564	93,804	7,618	144,872
Accumulated amortisation	(3,000)	(10,382)	(5,581)	(70,751)	(2,565)	(92,279)
Net book amount	6,504	–	17,983	23,053	5,053	52,593

19. INTANGIBLE ASSETS *(Continued)*

At 31 December 2020, the remaining useful life of domains is 13 months (2019: 25 to 39 months) amounting to approximately RMB293,000 (2019: RMB1,580,000). At 31 December 2020, the trademarks and a publishing right have an indefinite useful life amounting to approximately RMB17,690,000 and RMB6,504,000 (2019: RMB18,025,000 and RMB6,720,000) respectively.

The remaining useful life of software, website and mobile applications is 1 to 58 months (2019: 1 to 59 months).

20. GOODWILL

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment. A segment level summary of goodwill is presented below:

	Digital platform – the PRC	Print media and art platform - the PRC		
	Digital media business	Art photography business	Art kitchen business	Total
	RMB'000 (Restated)	RMB'000	RMB'000	RMB'000 (Restated)
Cost				
At 1 January 2019	30,032	–	2,009	32,041
Acquisition of subsidiaries	8,179	11,850	–	20,029
Currency translation differences	367	–	–	367
At 31 December 2019	38,578	11,850	2,009	52,437
Disposal of a subsidiary	(1,829)	–	–	(1,829)
Currency translation differences	(274)	–	–	(274)
At 31 December 2020	36,475	11,850	2,009	50,334
Impairment losses				
At 1 January 2019	–	–	–	–
Impairment loss	–	–	800	800
At 31 December 2019	–	–	800	800
Impairment loss	–	4,600	1,209	5,809
At 31 December 2020	–	4,600	2,009	6,609
Carrying amount				
At 31 December 2020	36,475	7,250	–	43,725
At 31 December 2019	38,578	11,850	1,209	51,637

20. GOODWILL *(Continued)*

The recoverable amounts of goodwill are determined based on value in use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Group expected cash flow beyond the five-year period would be similar to that of the fifth year based on existing scale of operation. Cash flows beyond the five-year period are extrapolated using 2%-3% growth rates.

The key assumptions used for value in use calculations as at 31 December 2020 and 2019 are as follows:

	Digital media business	Art photography business	Art kitchen business
As at 31 December 2020			
Average annual growth rate of revenue during the next five-year period	20%	25%	18%
Gross margin (% of revenue)	55%-65%	52%	49%
Discount rate	16.8%	16.8%	14.5%
Long term growth rate	2%-3%	3%	3%
As at 31 December 2019			
Average annual growth rate of revenue during the next five-year period	20%	25%	18%
Gross margin (% of revenue)	55%-65%	52%	49%
Discount rate	15.2%	15.2%	14.5%
Long term growth rate	2%-3%	3%	3%

Management determines budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

As at 31 December 2020, due to the lower operation level of the art kitchen business and art photography business, the recoverable amount is below its carrying amount by approximately RMB5,809,000 (2019: RMB800,000). Accordingly, impairment loss of approximately RMB5,809,000 (2019: RMB800,000) was recognised and included under "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

21. SOFTWARE DEVELOPMENT IN PROGRESS

	RMB'000
At 1 January 2019	2,991
Expenditure incurred on software development	8,880
Transfer to intangible assets	(8,986)
At 31 December 2019	2,885
Transfer to intangible assets	(781)
At 31 December 2020	2,104

22. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Unlisted investment:		
Share of net assets	–	2,350

The particulars of the associate of the Group, which is unlisted, as at 31 December 2020, are as follows:

Name of associate	Place of business/ country of incorporation	Particulars of paid up registered capital	Proportion of ownership interest held by the Group 2020	2019	Principal activities
Chongqing Yubao Culture Media Co., Ltd.* 重慶渝報文化傳播有限公司	the PRC	RMB10,000,000	40%	40%	Wholesaling and retailing, provision of advertising, publication and media service
Shanghai Youxian Information Technology Co., Ltd.* 上海友閑信息科技有限公司	the PRC	RMB1,000,000	20%	20%	Online trading of the second-hand concert or opera tickets
Photo Shanghai Company Limited 映像上海有限公司	Hong Kong	HK$100,000	19%	19%	Provision of photos exhibition service

* The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

23. INTERESTS IN A JOINT VENTURE

	2020 RMB'000	2019 RMB'000
Unlisted investment:		
Share of net assets	–	–

The particulars of the joint venture of the Group, which is unlisted, as at 31 December 2020, are as follows:

Name of joint venture	Place of business/ country of incorporation	Particulars of paid up registered capital	Proportion of ownership interest held by the Group 2020	2019	Principal activities
Shanghai Wanyao Yizhi Cultural Development Co., Ltd. (the "Shanghai Wanyao Yizhi") 上海萬耀意致文化發展有限公司	the PRC	RMB1,000,000	50%	50%	Provision of event management services

On 8 February 2018, the Group entered into an agreement with an independent third party in relation to the establishment of Shanghai Wanyao Yizhi. Each party holds 50% equity interest of Shanghai Wanyao Yizhi respectively and RMB500,000 was contributed by the Group. The Group accounts for the investment in Shanghai Wanyao Yizhi as a joint venture as the Group has joint control over the operating and financial decisions of Shanghai Wanyao Yizhi.

24. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 RMB'000	2019 RMB'000
Unlisted equity investments at fair value	–	549

Equity investments at fair value through other comprehensive income comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

During the year ended 31 December 2020, the net loss on change in fair value of the investment of approximately RMB516,000 (2019: RMB2,403,000) was recognised in other comprehensive income.

25. INVENTORIES

	2020 RMB'000	2019 RMB'000
Artworks	53,055	47,907
Other goods	1,667	2,841
	54,722	50,748

26. TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000 (Restated)
Trade receivables	151,217	215,868
Less: ECL allowance of trade receivables	(7,703)	(7,045)
Trade receivables, net	143,514	208,823
Other receivables:		
Value-added tax recoverable	16,620	16,740
Prepayments	21,125	29,742
Printing deposits	11,416	13,880
Rental, utility and other deposits	6,064	8,176
Advances and loans to employees (note)	7,519	3,407
Amount due from directors (note)	–	8,651
Amount due from a senior management (note)	1,236	1,838
Tax recoverable	24	–
Others	6,939	8,810
	214,457	300,067
Less: non-current portion:		
Prepayment for property, plant and equipment	(9,015)	(7,472)
Current portion	205,442	292,595

Note: The amounts due from directors/a senior management and advances and loans to employees are unsecured, interest-free and repayable on demand.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables, based on invoice dates, before ECL allowance, was as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Trade receivables, gross		
Within 30 days	43,813	89,419
Over 30 days and within 90 days	44,837	64,686
Over 90 days and within 180 days	25,840	38,059
Over 180 days and within 1 year	12,193	13,380
Over 1 year and within 2 years	19,779	6,245
Over 2 years and within 3 years	1,724	294
Over 3 years	3,031	3,785
	151,217	215,868

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.

The Group applies simplified approach to estimate ECL prescribed in IFRS 9. Movements in ECL allowance of trade receivables were as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
At 1 January	7,045	7,273
ECL allowance recognised/(reversed)	1,445	(228)
Written off	(787)	–
At 31 December	7,703	7,045

The Group applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

26. TRADE AND OTHER RECEIVABLES *(Continued)*

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2020 or 31 December 2019 respectively and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

On that basis, the loss allowance as at 31 December 2020 and 2019 is determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount RMB'000	Lifetime ECL allowance RMB'000	Net carrying amount RMB'000
At 31 December 2020				
Collective assessment				
– Not yet past due	2.4%	71,215	1,708	69,507
– Within 1 year past due	2.8%	68,355	1,914	66,441
– Between 1 and 2 years past due	4.8%	7,427	356	7,071
– Between 2 and 3 years past due	19.6%	615	120	495
– Over 3 years past due	100.0%	19	19	–
Individual assessment	100.0%	3,586	3,586	–
		151,217	7,703	143,514
At 31 December 2019				
Collective assessment				
– Not yet past due	1.0%	122,513	1,225	121,288
– Within 1 year past due	1.2%	85,495	1,025	84,470
– Between 1 and 2 years past due	2.1%	2,918	61	2,857
– Between 2 and 3 years past due	6.4%	222	14	208
– Over 3 years past due	100.0%	348	348	–
Individual assessment	100.0%	4,372	4,372	–
		215,868	7,045	208,823

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

27. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Non-quoted investments in wealth management products (Note)	25,307	–

Note: Investments in wealth management products are investments in wealth management plans provided by financial institutions in the PRC, which are open-ended products.

28. TRADE AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000 (Restated)
Trade payables	56,451	42,640
Other payables:		
Accrued taxes other than income tax (Note a)	6,151	7,558
Accrued expenses (Note b)	12,834	22,037
Salaries, wages, bonus and benefits payable	16,330	1,409
Consideration payable for acquisition of subsidiaries	6,088	15,430
Amount due to a director (Note c)	3,485	272
Amount due to a related company (Note d)	1,511	1,561
Other liabilities	3,921	10,874
	106,771	101,781

The ageing analysis of the trade payables of the Group, based on the invoice dates, is as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Within 30 days	19,097	25,360
Over 30 days and within 90 days	12,083	8,896
Over 90 days and within 180 days	14,702	3,397
Over 180 days	10,569	4,987
	56,451	42,640

Note a:

Accrued taxes other than income tax mainly consist of value-added tax payables, surtax payables and related surcharges, and individual income tax payables.

Note b:

Accrued expenses mainly represents accrued advertising production expenses, accrued license fee, accrued office expenses and accrued marketing and promotion expenses.

Note c:

Amount due to a director is unsecured, interest-free and repayable on demand.

Note d:

The related company is owned by and controlled by Mr. Shao Zhong ("Mr. Shao").

29. CONTRACT LIABILITIES

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	As at 1 January 2019 RMB'000
Total contract liabilities	4,375	9,368	14,908

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

– 2020	N/A	9,368
– 2021	4,375	–

Year ended 31 December	2020 RMB'000	2019 RMB'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	9,368	13,808

A contract liability represents the Group's obligation to transfer products or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

30. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	2020 RMB'000	2019 RMB'000
Secured bank borrowings	98,244	109,697
Unsecured other borrowings	5,057	22,093
Total borrowings	103,301	131,790
The borrowings are repayable as follows:		
Within one year or on demand	103,301	130,001
In the second to third years, inclusive	–	1,789
	103,301	131,790
Less: Amount due for settlement within 12 months (shown under current liabilities)	(103,301)	(130,001)
Amount due for settlement after 12 months	–	1,789

30. BORROWINGS (Continued)

The average interest rates at 31 December were as follows:

	2020	2019
Secured bank borrowings	2.25% - 4.6%	2.25% - 5.7%
Other unsecured borrowings	5%	5%

Borrowings of approximately RMB15,057,000 (2019: RMB37,093,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2020, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of approximately RMB130,311,000 (including in investment properties of approximately RMB37,700,000 and property, plant and equipment of approximately RMB92,611,000) (2019: approximately RMB137,560,000 (including in investment properties of approximately RMB37,640,000 and property, plant and equipment of approximately RMB99,920,000)) and/or was guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company.

As at 31 December 2020, the other borrowings due to a director is unsecured, repayable within one year and bears interest at fixed rate of 5% per annum.

During the year, the Group has violated several covenants attached to the interest-bearing borrowings. Breaches in meeting the covenants would permit the bank to immediately call borrowings.

31. LEASE LIABILITIES

	Lease payments 2020 RMB'000	Present value of lease payments 2020 RMB'000	Lease payments 2019 RMB'000 (Restated)	Present value of lease payments 2019 RMB'000 (Restated)
Within one year	14,390	13,489	21,687	19,908
In the second to fifth years, inclusive	10,475	10,227	23,253	22,082
	24,865	23,716	44,940	41,990
Less: Future finance charges	(1,149)		(2,950)	
Present value of lease liabilities	23,716		41,990	
Less: Amount due for settlement within 12 months (shown under current liabilities)		(13,489)		(19,908)
Amount due for settlement after 12 months		10,227		22,082

At 31 December 2020, the effective interest rate was 5.22%. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

32. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated statement of financial position:

	2020 RMB'000	2019 RMB'000
Deferred income tax assets	–	885
		(Restated)
Deferred income tax liabilities	10,416	11,642

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	Others RMB'000
At 1 January 2019	901
Charged to profit or loss	(16)
At 31 December 2019 and 1 January 2020	885
Charged to profit or loss	(884)
Currency translation differences	(1)
At 31 December 2020	–

As at 31 December 2020, subject to agreement by tax authority, the Group had estimated tax losses of approximately RMB27,085,000 (2019: RMB16,500,000) in Hong Kong which are available for offsetting against future taxable profits of the companies in which the losses arose. The tax losses do not expire under the current Hong Kong tax legislation; the Group had estimated tax losses of approximately RMB18,590,000 (2019: RMB13,375,000) in United Kingdom which are available for offsetting against future taxable profits of the companies in which the losses arose. The tax losses do not expire under the current United Kingdom tax legislation. Tax losses of approximately RMB103,700,000 (2019: RMB76,803,000) in the PRC are available for offsetting against future profits that may be carried forward for five years for PRC enterprise income tax purpose. Deferred tax assets have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available for the companies in which the losses arose.

32. DEFERRED INCOME TAX ASSETS AND LIABILITIES *(Continued)*

As at 31 December 2020, the Group has deductible temporary difference in relation to ECL allowance for trade receivables of approximately RMB4,117,000 (2019: RMB2,673,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax liabilities	**Depreciation allowances in excess of the related depreciation**	**Revaluation of investment properties**	**Fair value adjustment on business combination**	**Total**
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)
At 1 January 2019	1,187	5,899	–	7,086
Charge/(credit) to profit or loss	(16)	65	–	49
Acquisition of subsidiaries	–	–	4,423	4,423
Currency translation differences	29	–	55	84
At 31 December 2019 and 1 January 2020	1,200	5,964	4,478	11,642
Charge/(credit) to profit or loss	(1,192)	15	–	(1,177)
Currency translation differences	(8)	–	(41)	(49)
At 31 December 2020	–	5,979	4,437	10,416

As at 31 December 2020, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB36,477,000 (2019: RMB35,028,000). Deferred tax liabilities of approximately RMB1,824,000 (2019: RMB1,751,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested in their operation rather than remitting them to the Company in the foreseeable future.

The Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates enacted or substantively enacted at the end of the reporting periods.

33. SHARE CAPITAL

	Number of ordinary shares of HK$0.01 per share '000	HK$'000
Authorised		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	8,000,000	80,000
		RMB'000
Issued and fully paid		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	438,353	3,853

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total borrowings include borrowings and lease liabilities. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

The gearing ratios as at 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000 (Restated)
Total borrowings	127,017	173,780
Less: Cash and cash equivalents	(36,087)	(42,961)
Investments at fair value through profit or loss	(25,307)	–
Net debt	65,623	130,819
Total equity	376,502	449,515
Total capital	442,125	580,334
Gearing ratio	14.8%	22.5%

The gearing ratio decreased mainly due to the decrease of total borrowings.

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investments in subsidiaries	8,805	8,805
Current assets		
Other receivables	8,582	9,082
Amounts due from subsidiaries	126,353	135,558
Cash and cash equivalents	156	133
	135,091	144,773
Current liabilities		
Other payables	2,333	913
Amounts due to subsidiaries	11,995	11,159
	14,328	12,072
Net current assets	120,763	132,701
Total assets less current liabilities	129,568	141,506
NET ASSETS	129,568	141,506
Capital and reserves		
Share capital	3,853	3,853
Reserves	125,715	137,653
TOTAL EQUITY	129,568	141,506

34. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	145,302	(1,909)	(612)	142,781
Loss for the year	–	–	(2,370)	(2,370)
Other comprehensive expenses	–	(2,758)	–	(2,758)
At 31 December 2019 and 1 January 2020	145,302	(4,667)	(2,982)	137,653
Loss for the year	–	–	(4,114)	(4,114)
Other comprehensive expenses	–	(7,824)	–	(7,824)
At 31 December 2020	145,302	(12,491)	(7,096)	125,715

35. RESERVES

(a) Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Nature and purpose of reserves on the consolidated statement of changes in equity

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed; the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

35. RESERVES *(Continued)*

(b) Nature and purpose of reserves on the consolidated statement of changes in equity *(Continued)*

(ii) Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC of the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit. When the balance of the statutory surplus reserve reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. For the year ended 31 December 2020, RMB5,817,000 (2019: RMB2,930,000) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

(iii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policy as set out in Note 4.

(iv) Other reserves

Other reserves comprise (i) the aggregate amount of paid-in capital of the PRC Operational Entities after elimination of investments in subsidiaries; and (ii) the difference between the consideration paid/received for the acquisition/dilution of non-controlling interests and the carrying amount of noncontrolling interests at the transaction date, less the foreign exchange movements on translation of those subsidiaries attributable to the non-controlling interests.

(v) Property revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment properties. The property revaluation reserve of the Group is not distributable.

(vi) Fair value reserve (non-recycling)

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 4. These changes are accumulated within the "fair value reserve (non-recycling)" within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

36. BUSINESS COMBINATION

(a) 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"), were established 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 were disclosed in the Group's announcements dated 8 and 18 April 2019 respectively.

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

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

	RMB'000
Property, plant and equipment	490
Right-of-use assets	4,105
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)
Total identifiable net assets at fair value	6,177
Non-controlling interest	(3,027)
Goodwill	11,850
Total cash consideration	15,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(6,000)
Cash and cash equivalents acquired	765
	(5,235)

36. BUSINESS COMBINATION *(Continued)*

(a) *(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.

Included in the profit for the year ended 31 December 2019 was the loss of approximately RMB3,645,000 attributable to the additional business generated by Shanghai Shangzhao Group. Revenue included approximately RMB2,851,000 in respect of Shanghai Shangzhao Group.

If the Acquisition had occurred on 1 January 2019, the Group's revenue would have been increased by approximately RMB3,282,000 and loss for the year would have been increased by approximately RMB7,346,000 for the year ended 31 December 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.

(b) In June 2019, the Group completed the acquisition of 85% equity interest in Art Review at the consideration of ￡800,000 (equivalent to RMB7,033,000).

Art Review is principally engaged in provision of print and digital publishing business.

36. BUSINESS COMBINATION *(Continued)*

(b) *(Continued)*

The fair value of assets acquired, liabilities assumed and the non-controlling interest at the date of completion of Art Review is allocated as follows:

	RMB'000
Property, plant and equipment	164
Right-of-use assets	2,101
Intangible assets	6,664
Trade and other receivables	3,320
Cash and cash equivalents	231
Trade and other payables	(10,488)
Lease liabilities	(2,118)
Deferred income tax liabilities	(1,222)
Total identifiable net liabilities at fair value	(1,348)
Non-controlling interest	202
Goodwill	8,179
	7,033
Satisfied by:	
Cash payable	6,154
Cash paid	879
Total consideration transferable	7,033
Net cash outflow arising on acquisition:	
Cash consideration paid	(879)
Cash and cash equivalents acquired	231
	(648)

The goodwill represented the excess of the fair value of the consideration as at the completion date over the fair value of the net assets.

Art Review contributed approximately RMB2,535,000 to the Group's revenue and a loss of approximately RMB3,435,000 to the consolidated statement of profit or loss and other comprehensive income during the period from the date of completion to 31 December 2019.

Had the combination taken place at the beginning of the year ended 31 December 2019, the revenue of the Group and the loss of the Group for the year would have been approximately RMB319,454,000 and approximately RMB74,536,000, respectively. The pro forma information is for illustrative purpose only.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Borrowings RMB'000	Lease liabilities RMB'000 (Restated)	Total liabilities from financing activities RMB'000 (Restated)
At 1 January 2019	101,108	21,900	123,008
Changes in cash flows (restated)	24,573	(18,424)	6,149
Non-cash changes (restated)			
– acquisition of subsidiaries	–	6,472	6,472
– additions to lease liabilities	–	33,172	33,172
– currency translation differences	1,409	183	1,592
– interest accrued	4,700	1,830	6,530
– modification of lease terms	–	(3,143)	(3,143)
At 31 December 2019 and 1 January 2020 (restated)	131,790	41,990	173,780
Changes in cash flows	(29,165)	(16,371)	(45,536)
Non-cash changes			
– interest accrued	5,263	1,644	6,907
– additions to lease liabilities	–	1,694	1,694
– modification of lease	–	(5,177)	(5,177)
– currency translation differences	(4,587)	(64)	(4,651)
At 31 December 2020	103,301	23,716	127,017

38. LOSS ON DISPOSAL OF A SUBSIDIARY

On 12 March 2020, the Group disposed 100% of the issued share capital of Linkchic (Beijing) Network Technology Co., Ltd. (the "Linkchic (Beijing)"), a 100% indirect owned subsidiary of the Company by deregistration.

The fair value of the identifiable assets and liabilities of Linkchic (Beijing) disposed as at its date of disposal was as follows:

	RMB'000
Intangible assets	939
Goodwill	1,829
Trade and other receivables	183
Loss on disposal of a subsidiary	2,951

39. RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions during the reporting period:

(a) Transactions with related parties

In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the years ended 31 December 2020 and 2019:

	2020 RMB'000	2019 RMB'000
Interest expenses payable to a director	1,082	813
Purchases of art works from a director	907	–
Sales commission receivable from a director	136	–
Compensation on operating profit guarantee received from a director	–	3,774

(b) Key management personnel remuneration

Remuneration for key management personnel including amounts paid to the Company's Directors and all of the highest paid employees as disclosed in note 13, is as follows:

	2020 RMB'000	2019 RMB'000
Salaries and allowances	11,915	13,064
Retirement scheme contributions	318	619
	12,233	13,683

Total remuneration is included in "staff costs".

40. CAPITAL COMMITMENTS

At 31 December 2020 and 2019, the Group had the following capital commitments in respect of the purchase of property, plant and equipment not provided for in the consolidated financial statements:

	2020 RMB'000	2019 RMB'000 (Restated)
Contracted but not provided for:		
Property, plant and equipment	2,340	3,303

41. OTHER COMMITMENTS

At 31 December 2020 and 2019, 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 are as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	16,577	21,053
After 1 year but within 5 years	9,829	23,970
Over 5 years	–	1,744
	26,406	46,767

42. LEASE COMMITMENTS

As lessor

The Group leases its investment properties 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 are as follows:

	2020 RMB'000	2019 RMB'000
Operating leases expiring:		
– Within 1 year	–	2,126
– After 1 year but within 5 years	–	8,837
	–	10,963

The operating lease was early terminated during the year.

43. PARTICULARS OF SUBSIDIARIES

(a) The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The Company has indirect interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 December 2020 are set out below:

Name of subsidiary	Note	Place of incorporation/ business	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing Direct	Indirect	Principal activities
E-Starship Limited		BVI	US$1	–	100%	Investment holding
Modern Digital Holdings Limited ("MDHL")		Cayman Islands	HK$14,286	–	70%	Investment holding
Zhuhai Modern Media Co., Ltd.# 珠海現代文化傳播有限公司	(i)	PRC	HK$68,000,000	–	100%	Research and development, provision of advertising and consultancy service
Yazhimei Digital Communication (Shenzhen) Co., Ltd.# 雅致美數字傳播(深圳)有限公司	(i)	PRC	HK$2,000,000	–	70%	Provision of management and consultation services
Shenzhen Yage Zhimei Information Media Co., Ltd.# 深圳市雅格致美資訊傳播有限公司 ("Shenzhen Yage Zhimei")	(i), (ii)	PRC	RMB2,000,000	–	100%	Holding company of investment property and advertisement production
Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited# 廣州現代移動數碼傳播有限公司	(ii)	PRC	RMB10,000,000	–	100%	Provision of digital publishing business
Guangzhou Modern Information Media Co., Ltd# 廣州現代資訊傳播有限公司	(ii)	PRC	RMB60,000,000	–	100%	Publication of magazines in the PRC, provision of advertising agencies, retail sales of imported books and planning of literary arts activities and exhibitions

43. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Note	Place of incorporation/ business	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing Direct	Indirect	Principal activities
Guangzhou Modern Books Co., Ltd.# 廣州現代圖書有限公司	(ii)	PRC	RMB5,010,000	–	100%	Publication of magazines in the PRC, design and selling of advertising spaces
Shanghai Senyin Information Technology Co., Ltd.# 上海森音信息技術有限公司	(ii)	PRC	RMB1,000,000	–	100%	Provision of website development business
Shanghai Yizhi Advertising Co., Ltd.# 上海意致廣告有限公司		PRC	RMB1,000,000	–	70%	Provision of advertising agency services
Shanghai Xinxuefen Culture Media Co., Ltd# 上海心學分文化傳播有限公司 ("Shanghai Xinxuefen")	(ii)	PRC	RMB10,000,000	–	65%	Publication of magazines in the PRC, provision of advertising agency and event management services
Guangzhou Modern Video Media Co., Ltd.# 廣州摩登視頻傳媒有限公司 ("Guangzhou Modern Video")	(ii)	PRC	RMB3,100,000	–	100%	Film investment
City Howwhy Limited		Hong Kong	HK$2	–	100%	Publication of magazines in Hong Kong
Modern Media Company Limited ("MMCL")		Hong Kong	HK$1,000,000	–	100%	Provision of advertising agency services
Modern Mobile Digital Media Company Limited		Hong Kong	HK$2	–	70%	Provision of digital publishing business

43. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of subsidiary	Note	Place of incorporation/ business	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing Direct	Indirect	Principal activities
Modern Art International Trading Limited		Hong Kong	HK$1,000,000	–	100%	Artwork trading
Shanghai Shangzhao E-Commerce Co., Ltd.# 上海尚照電子商務有限公司 ("Shanghai Shangzhao")		PRC	RMB4,638,230	–	51%	Operation of galleries and café shops
Shanghai Zhongshe Cultural Development Co., Ltd.# 上海眾社文化發展有限公司		PRC	RMB500,000	–	51%	Operation of galleries and cafes, organization of photography exhibitions, operation of online shop and physical stores for sales of photography artworks
Art Review Ltd.		UK	£125,667	–	85%	Provision of print and digital publishing business

(i) These companies are established in the PRC as wholly foreign-owned enterprises.

(ii) The equity interests of these entities are held by PRC nationals and/or entities on behalf of the Group.

(iii) Historically, PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through subsidiaries controlled by contractual agreements which are ultimately wholly-owned by Mr. Shao.

The company name in English is not the official name but a translation for reference only.

43. PARTICULARS OF SUBSIDIARIES *(Continued)*

(b) Details of non-wholly owned subsidiary that have material non-controlling interests ("NCI")

The following table shows information of the subsidiary that has NCI material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	"Modern Digital Holdings Limited"	
Principal place of business/country of incorporation	Hong Kong/Cayman Islands	
	2020	2019
% of ownership interest/voting rights held by NCI	30.00%	30.00%
	RMB'000	RMB'000
As 31 December:		
Non-current assets	66,941	82,098
Current assets	329,081	194,031
Non-current liabilities	(5,061)	(6,985)
Current liabilities	(195,165)	(87,247)
Net assets	195,796	181,897
Carrying amount of NCI	58,739	54,569
Year ended 31 December:		
Revenue	128,266	183,089
Profit for the year	15,697	14,170
Total comprehensive income for the year	13,901	12,946
Profit allocated to NCI	4,709	3,693
Net cash flows generated from operating activities	5,642	45,647
Net cash flows used in investing activities	(194)	(61,670)
Net cash flows (used in)/generated from financing activities	(11,940)	21,057
Net (decrease)/increase in cash and cash equivalents	(6,492)	5,034

44. COMPARATIVE FIGURES

In addition to the restated figures as illustrated in note 3 "Prior Year Adjustment", certain comparative figures have been reclassified to conform with the current year's presentation.

45. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 30 April 2021.

Five Year Financial Summary

RESULTS

	Year ended 31 December				
	2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	313,128	448,600	448,964	435,608	518,926
(Loss)/profit before income tax	(71,774)	279	(31,509)	(37,454)	6,487
Income tax credit/(expense)	1,799	(1,507)	(2,961)	(2,334)	(3,474)
(Loss)/profit for the year	(69,975)	(1,228)	(34,470)	(39,788)	3,013

ASSETS AND LIABILITIES

	As at 31 December				
	2020 RMB'000	2019 RMB'000 (Restated)	2018 RMB'000	2017 RMB'000	2016 RMB'000
Total assets	637,555	760,234	641,233	653,190	692,618
Total liabilities	(261,053)	(310,719)	(189,186)	(176,606)	(221,105)
Total equity	376,502	449,515	452,047	476,584	471,513

現代傳播集團
MODERN MEDIA GROUP

香港 HONG KONG
香港香港仔黃竹坑道21號環匯廣場7樓
7/F, Global Trade Square, 21 Wong Chuk Hang
Road, Aberdeen, Hong Kong
Tel: (852) 2250 9188 Fax: (852) 2891 9719
E–mail: hk@modernmedia.com.cn

廣州 GUANGZHOU
廣州市珠江新城華夏路8號合景國際金融廣場第15樓
郵編：510623
15/F, International Finance Place, No.8 Huaxia Road
Zhujiang New Town
Tianhe District, Guangzhou, 510623, China
Tel: (8620) 3879 1622 Fax: (8620) 3879 1623
E–mail: gz@modernmedia.com.cn

上海 SHANGHAI
上海市黃浦區建國中路10號8號橋園區
郵編：200025
No.10(bridge8) Middle JianGuo Road, Shanghai
200025, China
Tel : (8621) 6335 3637
E–mail : sh@modernmedia.com.cn

北京 BEIJING
北京市朝陽區工體東路中國紅階甲2號5樓
郵編：100027
5/F, No.A2, China View, East Gongti Road
Chaoyang District, Beijing 100027, China
Tel: (8610) 6561 5550 Fax: (8610) 6561 0819
E–mail: bj@modernmedia.com.cn

深圳 SHENZHEN
深圳市福田區竹子林紫竹陸路金民大廈1006室
郵編：518040
Suite 1006, Jinmin Building, Zizhu Sixth Road
ZhuzilinFutian District
Shenzhen 518040, China
Tel: (86755) 8831 6511
E–mail: sz@modernmedia.com.cn