現代傳播
Modern Media

MODERN MEDIA HOLDINGS LIMITED
現 代 傳 播 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 72)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

FINANCIAL HIGHLIGHTS

- Turnover amounted to RMB 333,156,000, slighty decreased by 4.2% from 2008
- Profit from operations reached RMB 40,792,000
- Profit attributable to shareholders was RMB 31,186,000
- Earnings per share was RMB 0.09
- The Board did not recommend the payment of a final dividend for the year

The board (the "Board") of directors (the "Directors") of Modern Media Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009 together with comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	3	333,156	347,825
Cost of sales		(146,042)	(142,839)
Gross profit		187,114	204,986
Other revenue		2,849	1,743
Other net income/(loss)		45	(514)
Selling and distribution expenses		(69,805)	(72,390)
Administrative and other operating expenses		(79,411)	(77,393)
Profit from operations		40,792	56,432
Finance costs	4(a)	(1,049)	—
Share of profit of an associate		91	861
Loss on disposal of an associate	9	(1,469)	—
Share of loss of a jointly controlled entity		(26)	(290)
Profit before taxation	4	38,339	57,003
Income tax	5	(7,153)	(11,985)
Profit for the year		31,186	45,018
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries		142	(1,469)
Total comprehensive income for the year		31,328	43,549
Profit attributable to equity shareholders		31,186	45,018
Total comprehensive income attributable to equity shareholders		31,328	43,549
Earnings per share (RMB)	6		
– Basic		0.09	0.15

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 7.

CONSOLIDATED BALANCE SHEET

At 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Fixed assets		70,244	67,042
Intangible assets	8	3,503	—
Interest in an associate	9	—	9,460
Interest in a jointly controlled entity	10	4,900	328
Deferred tax assets		2,215	—
		80,862	76,830
Current assets			
Trade receivables	11	113,776	94,187
Other receivables, deposits and prepayments		74,591	26,817
Amounts due from related parties	15	—	65,769
Taxation recoverable		631	535
Deposits and cash		57,922	37,291
		246,920	224,599
Current liabilities			
Trade payables	12	35,350	28,195
Other payables and accruals		45,756	56,380
Bank loans	13	1,447	—
Other loan	14	6,868	27,596
Taxation payable		22,885	24,182
		112,306	136,353
Net current assets		134,614	88,246
Total assets less current liabilities		215,476	165,076
Non-current liabilities			
Bank loans	13	(16,179)	—
Net assets		199,297	165,076
Capital and reserves			
Share capital		3,531	4,672
Reserves		195,766	160,404
Total equity		199,297	165,076

1 CORPORATE INFORMATION AND BASIS OF PREPARATION

(a) Corporate information and group reorganisation

The Company was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal places of business in the PRC and Hong Kong are at Units A, B & C, 10/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 9th Floor, Zung Fu Industrial Building, No. 1067 King's Road, Quarry Bay, Hong Kong respectively; and its registered office is at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands.

Pursuant to a group reorganisation completed on 24 August 2009 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 September 2009. Details of the Reorganisation are set out in the prospectus of the Company dated 28 August 2009 (the "Prospectus") in connection with the initial listing of the Company's shares on the Stock Exchange (the "Listing").

(b) Principal accounting policies and basis of preparation

(i) Significant accounting policies

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards issued by International Accounting Standards Board ("IASB") and the disclosure requirements of the Companies Ordinance (Chapter 32, laws of Hong Kong). These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

(ii) The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

(iii) During the year ended 31 December 2008, the operations now comprising the Group were conducted through various companies established in the PRC (the "PRC Operational Entities") and certain other companies in Hong Kong, all of which were ultimately owned, managed and controlled by Mr. Shao Zhong ("Mr. Shao").

The consolidated financial statements for the years ended 31 December 2009 and 31 December 2008 have been prepared to reflect the Reorganisation of companies (including the PRC Operational Entities) under common control. All the companies now comprising the Group (including the PRC Operational Entities) are ultimately controlled by Mr. Shao before and after the Reorganisation. The control is not transitory and, consequently, there was a continuation of the risks and benefits to the controlling party, and therefore, this is considered to be a combination of entities under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants has been applied in accounting for the Reorganisation. The consolidated financial statements for the years ended 31 December 2009 and 31 December 2008 have been prepared using the merger basis of accounting as if the Group had always been in existence. The net assets of the combining companies are consolidated using the existing book values from the controlling party's perspective.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the years include the results of operations of the companies now comprising the Group for the year as if the current group structure had been in existence and remained unchanged throughout the years. The consolidated balance sheets of the Group as at 31 December 2009 and 31 December 2008 have been prepared to present the assets and liabilities of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at those dates.

(iv) The financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis.

2 SEGMENT REPORTING

The Group has six reportable segments as described below, which are the Group's strategic business units. The Group's business units offer different advertising services to its customers based on the geographical locations of the advertising customers; and also provides circulation of magazines to distributors. For each of the business units, the Group's senior executive management reviews internal management reports on a monthly basis. Segment information below is presented in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Advertising (Shanghai/Beijing/Guangzhou/Shenzhen/Hong Kong): these segments engage in the sale of advertising space in the Group's magazines. The Group's advertising business is segregated into five reportable segments on a geographical basis, as monthly reports on the results of each advertising business are provided to the senior executive management by the respective area manager for each of these regions.

- Circulation: this segment engages in the publication of and the distribution of the Group's magazines in the PRC and Hong Kong.

Other operations include the Group's provision of management and consultancy services, and exhibition and events arrangement services to the Group's customers.

(a) Segment results and assets

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results and assets attributable to each reportable segment on the following bases:

Segment assets include only trade receivables arising from the advertising and circulation segments as the Group's senior executive management considers that the recoverability of the trade receivables has significant impact to the Group's actual performance, liquidity and credit risk.

Revenue and expenses are allocated to the reportable segments with reference to the income generated by those segments and the expenses incurred by those segments. Segment results do not include the Group's share of results arising from the activities of the Group's associate and jointly controlled entity as these investments do not form a significant part of the Group's operation.

The measure used for reporting segment profit or loss is profit/(loss) before tax, as included in the internal management reports that are reviewed by the Group's senior executive management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to the respective segment's budget, other entities that operate within these industries and geographical locations.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below:

	Year ended 31 December 2009							
			Advertising				Circulation	
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-Total		Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue derived from the Group's external customers	216,231	38,064	48,767	14,784	21,288	339,134	14,146	353,280
Reportable segment profit/(loss)	127,829	1,699	(97,256)	(546)	(10,941)	20,785	14,146	34,931
Interest income	47	8	28	2	6	91	—	91
Interest expense	—	—	—	(1,049)	—	(1,049)	—	(1,049)
Depreciation for the year	(2,665)	(1,961)	(1,238)	(1,824)	(887)	(8,575)	—	(8,575)
Amortisation for the year	—	—	(300)	—	(43)	(343)	—	(343)
Reportable segment assets	70,224	7,915	10,182	5,325	10,204	103,850	9,558	113,408

	Year ended 31 December 2008							
			Advertising				Circulation	
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-Total		Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment revenue derived from the Group's external customers	184,530	69,180	61,656	12,470	31,625	359,461	13,614	373,075
Reportable segment profit/(loss)	91,933	27,862	(69,406)	(3,444)	(10,637)	36,308	13,614	49,922
Interest income	43	19	14	11	—	87	—	87
Depreciation for the year	(2,828)	(2,030)	(948)	(2,014)	(696)	(8,516)	—	(8,516)
Reportable segment assets	40,721	17,154	16,381	5,033	6,100	85,389	8,798	94,187

(b) Reconciliations of reportable segment revenues, profit or loss and assets

	2009 RMB'000	2008 RMB'000
Revenue		
Reportable segment revenue derived from the Group's external customers	353,280	373,075
Other income	9,293	8,794
Less: Sales taxes and other surcharges	(29,417)	(34,044)
Consolidated turnover	333,156	347,825

	2009 RMB'000	2008 RMB'000
Profit		
Reportable segment profit derived from the Group's external customers	34,931	49,922
Other income	9,293	8,794
Share of profit of an associate	91	861
Loss on disposal of an associate	(1,469)	—
Share of loss of a jointly controlled entity	(26)	(290)
Unallocated head office and corporate expense (note)	(4,481)	(2,284)
Consolidated profit before taxation	38,339	57,003

Note: Depreciation of RMB578,000 and RMB134,000 is included in unallocated head office and corporate expense for the years ended 31 December 2009 and 2008 respectively.

Interest income of RMB3,000 and RMB23,000 is included in unallocated head office and corporate expense for the years ended 31 December 2009 and 2008 respectively.

	2009 RMB'000	2008 RMB'000
Assets		
Reportable segment assets	113,408	94,187
Fixed assets	70,244	67,042
Intangible assets	3,503	—
Interest in an associate	—	9,460
Interest in a jointly controlled entity	4,900	328
Deferred tax assets	2,215	—
Sponsorship, event and service income receivable	368	—
Other receivables, deposits and prepayments	74,591	26,817
Amounts due from related parties	—	65,769
Taxation recoverable	631	535
Deposits and cash	57,922	37,291
Consolidated total assets	327,782	301,429

(c) Geographic information

The following table sets out information about the geographical location of the Group's fixed assets, intangible assets and interests in an associate and jointly controlled entity ("Specified Non-current Assets"). The geographical location of the Specified Non-current Assets is based on the physical location of the asset, in the case of fixed assets and intangible assets, and the location of operations, in the case of interests in an associate and a jointly controlled entity.

	2009 RMB'000	2008 RMB'000
The PRC (place of domicile)	73,533	73,008
Hong Kong	5,114	3,822
	78,647	76,830

(d) Major customers

The Group's customer base includes one customer (2008: two customers) with whom transactions have exceeded 10% of the Group's revenues. During the years ended 31 December 2009 and 2008, advertising income from these customers amounted to RMB45,795,000 and RMB74,823,000 respectively and arose in Shanghai, Beijing and Guangzhou reportable segments in which the advertising division is active.

3 TURNOVER

The Group is principally engaged in the provision of magazines advertising services, printing and distribution of magazines and provision of advertising-related services.

Turnover represents the invoiced sales net of sales discounts, sales returns and sales tax.

	2009 RMB'000	2008 RMB'000
Advertising income	339,134	359,461
Circulation income	14,146	13,614
Sponsorship, event and service income	9,293	8,794
	362,573	381,869
Less: Sales taxes and other surcharges	(29,417)	(34,044)
	333,156	347,825

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2009 RMB'000	2008 RMB'000
(a) Finance costs:		
Interest charged on:		
Bank loans repayable after 5 years	1,049	—
(b) Staff costs:		
Salaries, wages and other benefits	82,776	79,833
Contributions to defined contribution retirement plan	14,706	11,389
	97,482	91,222
Staff costs included in:		
Cost of sales	39,691	41,686
Selling and distribution expenses	30,258	27,196
Administrative and other operating expenses	27,533	22,340
	97,482	91,222
(c) Other items:		
Depreciation of fixed assets	9,128	8,650
Amortisation of intangible assets	343	—
Auditors' remuneration	1,594	919
Operating lease charges in respect of properties	13,698	12,947
Impairment losses on trade receivables written back, net	184	(4)

5 INCOME TAX

	2009 RMB'000	2008 RMB'000
Current tax		
Provision for the PRC Corporate Income Tax	9,343	11,901
Provision for the Hong Kong Profits Tax	25	84
	9,368	11,985
Deferred tax		
Origination of temporary differences	(2,215)	—
	7,153	11,985

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

(ii) The provisions for Hong Kong Profits Tax for the years ended 31 December 2009 and 2008 were calculated at 16.5% of the estimated assessable profits for the respective years.

(iii) The provision for the PRC corporate income tax is based on the statutory rate of 25% of the taxable profits determined in accordance with the relevant income tax rules and regulations of the PRC for the year ended 31 December 2009, except for certain subsidiaries of the Group which are located within special economic zones in the PRC, for which the applicable preferential tax rate was 18% and 20% for 2008 and 2009 and is increased to 22%, 24% and 25% for the years ending 31 December 2010, 2011 and 2012 onwards, respectively.

6 EARNINGS PER SHARE

The calculation of basic earnings per share for the years ended 31 December 2009 and 31 December 2008 was based on the net profit attributable to equity shareholders of the Company, and a weighted average number of ordinary shares outstanding of 331,233,000 (2008: 300,000,000) calculated as follows.

	Note	2009 '000	2008 '000
Issued ordinary shares at 1 January	(i)	**300,000**	300,000
Effect of shares issued in connection with the Listing		**31,233**	—
		331,233	300,000

(i) The number of shares at the beginning of the years ended 31 December 2009 and 2008 includes 8,000,000 ordinary shares in issue and 292,000,000 ordinary shares then to be issued pursuant to the capitalisation issue as if the shares were outstanding throughout the period.

There were no dilutive potential ordinary shares during the years ended 31 December 2009 and 31 December 2008 and, therefore, diluted earnings per share are not presented.

7 DIVIDENDS

The following dividends were declared by the companies now comprising the Group to their then shareholders during the year.

	2009 RMB'000	2008 RMB'000
Dividend declared and paid during the year (note)	**81,999**	—

Note: Prior to the listing of the shares of the Company on the Stock Exchange in September 2009, the companies now comprising the Group declared a dividend of RMB81,999,000 to Mr. Shao. No dividend payment was made to Mr. Shao as the dividend payable to Mr. Shao has been used to set off against the advance due from him to the Group.

8 INTANGIBLE ASSETS

At 31 December 2009, intangible assets of the Group largely comprised of publication rights of magazines which are amortised over the estimated useful lives of 80 months.

9 INTEREST IN AN ASSOCIATE

On 11 May 2009, the Group disposed of its entire 20% equity interest in Tianjin Holiday Media Development Co., Ltd (天津假日傳媒發展有限公司 , "Tianjin Holiday") to an independent third party at a consideration of RMB8,101,200. The disposal resulted in a loss of RMB1,468,800 representing the difference between the net proceeds of consideration and net assets of RMB9,570,000 disposed. The Group's share of profit of Tianjin Holiday for the period from 1 January 2009 to 10 May 2009 amounting to RMB91,000 was included in the consolidated statement of comprehensive income of the Group.

10 INTEREST IN A JOINTLY CONTROLLED ENTITY

On 23 April 2009, the Group disposed of its entire 50% equity interest in Sichuan Shangdu Media Co., Ltd (四川尚都傳媒有限責任公司, "Sichuan Shangdu") to an independent third party at a consideration of RMB298,000 which is the net asset value of Sichuan Shangdu as at the date of disposal. The disposal resulted in no gain or loss to the Group's consolidated financial statements. The Group's share of loss of Sichuan Shangdu for the period from 1 January 2009 to 22 April 2009 amounting to RMB26,000 was included in the consolidated statement of comprehensive income of the Group on an equity accounting basis.

In December 2009, the Group injected capital to a PRC incorporated entity, Hangzhou Shili Cultural Media Co., Ltd. (杭州實力文化傳播有限公司, "Hangzhou Shili") which is engaged in the provision of publication of magazines and advertising services. The Group contributed RMB4,900,000 as the registered capital of Hangzhou Shili and is entitled to share 49% of the financial results of Hangzhou Shili. Notwithstanding the contribution of 49% of the registered capital of and the profit sharing arrangements of Hangzhou Shili, the Group accounts for the investment in Hangzhou Shili as a jointly controlled entity as it has joint control over the operating and financial decisions of Hangzhou Shili.

11 TRADE RECEIVABLES

An ageing analysis of trade receivables by transaction date is as follows:

	2009 RMB'000	2008 RMB'000
Within 30 days	**40,738**	25,413
31 days to 90 days	**45,111**	41,075
91 days to 180 days	**18,215**	19,655
More than 180 days	**9,712**	8,652
	113,776	94,795
Less: allowance for doubtful debts	**—**	(608)
	113,776	94,187

The Group normally allows a credit period ranging from 30 to 150 days to its advertising and circulation customers. Normally, the Group does not hold any collateral from its customers.

12 TRADE PAYABLES

An ageing analysis of trade payables of the Group is as follows:

	2009 RMB'000	2008 RMB'000
Within 30 days	14,964	10,945
31 days to 90 days	11,827	15,471
91 days to 180 days	8,536	1,779
More than 180 days	23	—
	35,350	28,195

All of the trade payables are expected to be settled within one year.

13 BANK LOANS

At 31 December 2009, the bank loans were secured and repayable as follows:

	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	1,447	—
After 1 year but within 2 years	1,544	—
After 2 years but within 5 years	5,285	—
After 5 years	9,350	—
	16,179	—
	17,626	—

At 31 December 2009, the bank loans of a subsidiary were secured by a mortgage over the property in Beijing, the PRC, with a carrying value of RMB37,239,000. The Company and Shanghai Gezhi Advertising Co., Ltd., a subsidiary of the Group provided corporate guarantees in respect of the bank loans.

14 OTHER LOAN

Other loan is repayable by instalments on or before 31 March 2010 and is interest-free for the period from the drawdown date of the loan to 31 March 2010, except that in the event that the Group fails to repay the instalment, the interest will be charged at the rate of 9% per annum on the amount from the drawdown date to the date of actual payment in full of the loan instalment.

In March and September 2009, the Group repaid RMB13,691,000 (equivalent to US$2,000,000) and RMB7,037,000 (equivalent to US$1,000,000) of the other loan respectively.

At 31 December 2009, the Company provided corporate guarantee in respect of the other loan.

15 AMOUNTS DUE FROM RELATED PARTIES

(a) Amount due from a director

The amount due from a director is unsecured, interest-free and repayable on demand. Set out below are the details of amount due from a director:

	2009 RMB'000	2008 RMB'000
SHAO Zhong	—	49,437
Maximum outstanding balance		
SHAO Zhong	65,599	49,437

The amount due from a director at 31 December 2008 arose from the non-trading advance to the director.

The amount due from the director was fully settled by way of dividends declared by the Group in August 2009 (note 7).

(b) Amounts due from related companies

	2009 RMB'000	2008 RMB'000
Guangzhou Zhongde Consultation Co., Ltd. (廣州市眾德諮詢有限公司) (note (i))	—	14,184
Shanghai Senyin Information Technology Co., Ltd. (上海森音信息技術發展有限公司) (note (ii))	—	2,148
	—	16,332

Notes:

(i) The major shareholder of the Company disposed its equity interests in Guangzhou Zhongde Consultation Co., Ltd. in April 2009 and accordingly, the amounts due from Guangzhou Zhongde Consultation Co., Ltd. were reclassified to other receivables.

(ii) The amount due from Shanghai Senyin Information Technology Co., Ltd. is unsecured, interest free and was settled in August 2009.

16 CONTINGENT LIABILITIES

At 31 December 2009 and 31 December 2008, the Group had no material contingent liabilities.

17 MATERIAL RELATED PARTY TRANSACTIONS

During the year, transactions with the following parties are considered as related party transactions.

Name of parties	Relationship with the Group
Mr. Shao	Founder/shareholder/director of the Group
Guangzhou Zhongde Consultation Co., Ltd.	A company owned by Mr. Shao and became an independent third party upon disposal in April 2009
Shanghai Senyin Information Technology Co., Ltd.	A company owned by Mr. Shao
Sichuan Shangdu Media Co., Ltd.	A jointly controlled entity of the Group and became an independent third party upon disposal in May 2009

In addition to the transactions and balances disclosed in notes 9, 10 and 15, the Group entered into the following related party transactions during the year.

	2009 RMB'000	2008 RMB'000
Non-recurring		
Advertising rights fee (note (i))	—	2,406
Acquisition of motor vehicles (note (ii))	—	930
Management fee income (note (iii))	1,342	3,000
Recurring		
Service fee income (note (iv))	1,000	1,000

Notes:

(i) This represented advertising rights expenses paid to a jointly controlled entity, Sichuan Shangdu Media Co., Ltd. for the provision of platform by Sichuan Shangdu Media Co., Ltd. to display the Group's advertising business for the year ended 31 December 2008. It was charged at a pre-determined rate mutually agreed, which was based on the market rates of the related services provided.

(ii) During the year ended 31 December 2008, the Group acquired two motor vehicles from a director of the Group for a consideration of RMB930,000 based on the prevailing market price mutually agreed between the parties, which was settled by setting off against the advance due from the director to the Group.

(iii) This represented management fee income receivable from Shanghai Senyin Information Technology Co., Ltd. and Guangzhou Zhongde Consultation Co., Ltd. for a period of two years from 1 January 2008 to 31 December 2009. It is charged at a pre-determined amount mutually agreed, which is based on the market rates of the related services provided. On 29 July 2009, the Group entered into termination agreement with Shanghai Senyin Information Technology Co., Ltd. and Guangzhou Zhongde Consultation Co., Ltd. and the Group ceased to provide the management services to these related companies.

(iv) This represented service fee income receivable from Guangzhou Zhongde Consultation Co., Ltd. of which the major shareholder and director of the Company then had equity interests from 1 January 2008 to April 2009. It is charged at the greater of a pre-determined percentage of this company's revenue for the year or a minimum fee of RMB1 million per annum.

Mr. Shao provided personal guarantee to an independent third party in respect of other loan (note 14) granted by the independent third party. The personal guarantee has been replaced by corporate guarantee by the Company upon the listing of the shares of the Company on the Stock Exchange.

Details of the amount due from/to a director and amounts due from related parties are set out in note 15(a) and 15(b) respectively.

18 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR

Up to the date of issue of the financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective in respect of the financial year and which have not been adopted in the financial statements:

IFRSs (Amendments)[1]	Improvements to IFRSs 2009
IAS 27 (Revised)[3]	Consolidated and Separate Financial Statements
IAS 39 (Amendment)[3]	Eligible Hedged Items
Amendments to IFRS 5[3]	Non-current Assets Held for Sale and Discontinued Operations
IFRS 3 (Revised)[4]	Business Combinations
IFRIC 9 and IAS 39 (Amendments)[2]	Embedded Derivatives
IFRIC 17[3]	Distributions of Non-cash Assets to Owners
IFRIC 18[4]	Transfers of Assets from Customers

(1) Effective for annual periods beginning on or after 1 January 2010 except the amendments to IFRS 2, “Share-based Payment”, IAS 38, “Intangible Assets”, IFRIC 9 “Reassessment of Embedded Derivatives” and IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”, which are effective for annual periods beginning 1 July 2009.

(2) Effective for annual periods beginning on or after 30 June 2009.

(3) Effective for annual periods beginning on or after 1 July 2009.

(4) Effective for transfers on or after 1 July 2009.

The Group is in the process of making an assessment of the expected impact of these amendments, new standards and new interpretations in the period of initial application. So far, it is concluded that these new and revised IFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

The adverse impact stemmed from the global financial turmoil gradually phased out in 2009. Although brand advertisers in general scaled back their advertising spending during the year ended 31 December 2009 (the "year"), the Group had managed to rein in and mitigate the impact on the Group's operation and it had seen an uptick for its business during the second half of the year. For the year, the Group's turnover amounted to approximately RMB333.2 million, which represented only a slight decrease of 4.2% as compared with that for year 2008. The Group successfully reversed its loss position for the first half of 2009 and recorded a net profit of RMB31.2 million for the year, despite a 30.7% decrease as compared with year 2008. The Group believes that its operating performance had remarkably recovered, despite the fact that the recovery of global economy and business environment are still on a shaky ground.

Although business environment to the Group remained challenging and uncertain during the second half of 2009, the Group closely monitored the impact and dedicated persistent efforts with a view to lifting the advertising revenue derived from the Group's magazine portfolio and utilitsing the resources prudently. As a result, the Group's had achieved a significant growth in both turnover and operating profit during the second half of 2009 through (i) increasing the public awareness and recognition of "Modern Weekly" which is the Group's flagship magazine and the leader in the high quality Chinese-language lifestyle weekly market, (ii) launching intensive promotion campaign for "U+ Weekly" that is recognized by the high-end feminine reader market as a high quality women's lifestyle weekly and (iii) publishing more supplements as well as organizing more customer events so as to increase advertising opportunities. We achieved turnover of approximately RMB197.2 million for the second half of 2009, translating into a growth of 4.3% as compared with approximately RMB189.1 million for the same period in 2008. Coupled with an array of cost control measures implemented, the Group recorded profit before taxation of approximately RMB48.8 million for the second half of 2009, representing a growth of 50% as compared with RMB32.5 million in the second half of 2008.

(A) BUSINESS REVIEW

Advertising

The PRC

During the year, the Group operated two weekly and five monthly magazines in the PRC. These magazines contributed an aggregate advertising revenue of approximately RMB317.8 million (2008: RMB327.8 million), representing a modest decrease of approximately 3.1% on a yearly basis. In spite of the tough business environment faced by the Group, we still managed to generate profit from the flagship magazine, "Modern Weekly" which is recognized by the brand advertisers as an effective promotion vehicle for their advertising campaign. Moreover, "U+ Weekly", a women's lifestyle magazine launched at the end of 2008, is well-received in the high-end feminine reader market and has been ranked first in terms of circulation in the market (Source: Beijing Kai Yuan Circulation Research Company). With that, it triumphantly lured increasing advertising placements from the brand advertisers spanning from cosmetic products, fashion, jewelry, to other fast moving consumer goods. These magazines recorded a combined advertising revenue of approximately RMB188.3 million (2008: RMB184.5 million) for the second half of 2009.

Hong Kong

In Hong Kong, the Group publishes a monthly magazine, "City Magazine" and provides advertising agency services for the PRC magazines operated by the Group, which accounted for approximately 6.3% of the Group's total advertising revenue for the year. Over the past few years, many brand advertisers have relocated their headquarters and reallocated their marketing and promotion expenditures to the PRC, resulting in the increasing number of the Group's advertising customers shifting their spending from our Hong Kong subsidiaries to our PRC subsidiaries. With the shifting of marketing and promotion expenditures of brand advertisers to the PRC, our operation in Hong Kong recorded a decrease in the revenue of approximately RMB10.3 million when compared with that of the year 2008.

Circulation

Thanks to satisfactory operation of the magazines distribution network in the PRC, our incessant efforts in expanding the network and the official launch of magazine "U+ Weekly", the circulation revenue in 2009 increased by approximately 3.9% as compared to that in 2008.

(B) BUSINESS OUTLOOK

With the gradual recovery of global economy, resilient China economy growth coupled with the World Expo 2010 which will be held in Shanghai, the prospect of the advertising market in the PRC remains promising and it has been shaping up a favourable business environment for the Group's operation.

Global economy has seen stabilization in the wake of the stimulus packages implemented by government of different countries in response to the fallout of financial tsunami that surfaced in the third quarter in 2008. As the negative impact of financial tsunami has gradually subsided, consumer confidence has recuperated and so is the business confidence. As such, companies, which scaled back the advertising expenditure during the financial crisis, are spending more on advertising and promotion so as to capture the escalating market opportunities and expand their businesses. Among which, producers in the upmarket fashion, jewelry, cosmetic, automobile, digital products, branded products and fast moving consumer goods are in the forefront of promoting their products.

Against the backdrop of global economy recovery, China remains the locomotive propelling the growth. During the year, China economy grew at the pace of 8.7% and it is expected that the strong growth momentum will remain intact in the coming 10 years. Alongside, there will be a significant change to the forces driving the economy growth in the PRC. In future, Chinese economy will experience an increasing reliance on domestic consumption instead of export, and hence it will stimulate the consumer products companies to increase their spending on advertising.

In the meantime, China is preparing for the biggest and most extravagant World Expo in history in 2010. It is estimated that more than 70 million visitors will flock to the bustling financial centre, Shanghai, and the event will capture the attention of the world. It is also hoped that a vibrant Expo will help boost confidence in the Chinese economy at home and abroad, buoying up the advertising spending which ultimately is expected to benefit the Group.

Looking ahead, the Group will adopt a comprehensive business strategy to maintain its leading position in the market and to ensure the Group will have a continuous healthy profit growth for the future. The business strategy includes the strengthening of existing revenue stream from our core print media business and the extension of new revenue stream from print media business.

Strengthen existing revenue stream from our core print media business

Riding on the market leading positions of "Modern Weekly" (China No. 1 Advertising Revenue Weekly, recognized by AdmanGo Limited, a market research company) and "U+ Weekly" (China No. 1 circulation Weekly, recognized by Beijing Kai Yuan Circulation Research Company), we have initiated a series of marketing plans to further consolidate our leading position and to further enhance our competitive edges in the PRC weeklies market. With a series of plans, we believe the business of "Modern Weekly" will have an above-average growth while "U+ Weekly" which was launched in December 2008 will achieve a significant growth as it is nascent to the market. Despite the fact that it only debuted just one year ago, "U+ Weekly" has already outperformed many feminine magazines remarkably and is well received by our advertising clients.

The marketing plans mentioned above will include developing an eclectic mix of marketing promotion, trade promotion and marketing events as well as expanding the sales and marketing team in Tier 2 cities in an attempt to recruit new readers, increase the copies sold and exert high brand influence in both Tier 1 and 2 cities of PRC. Furthermore, in order to further solidify the market position of "U+ Weekly", we will create a "Mega-Media" platform for "U+ Weekly", encompassing the development of "U+ Community Website", "U+ E-commerce Website" and the production of "U+ TV Program" which will be telecast at local TV channels.

For our monthly magazines, we will continue to maintain their unrivaled positions in the market so as to continue to capture the advertising budget from different elite segments.

With a series of strategies and actions in place, the Directors believe that our core business will record a significant growth going forward.

Extend new revenue stream from print media business

The extension of revenue stream will be achieved from two strategies:

(i) *Series of local weeklies launch at Tier 2 cities*

Considering the immense growth potential of Tier 2 cities of PRC in which quality print media is scarce, the Group is going to launch a chain of quality new local weeklies in 3 to 4 cities by 2010 and more in 2011 to capture new revenue stream from both local and international brand advertisers.

The first local weekly that we have launched in January 2010 is in Hangzhou and named as "Style Weekend"("時尚週末"). We strategically selected Hangzhou as our pilot city due to the fact that it is one of the most important footholds for the brand advertisers and also its outstanding brand consumption and advertising revenue.

Our Hangzhou local partner for the operation of “Style Weekend” is a local enterprise in the television industry which allows us to extensively enlarge our local network resources and TV channel resources, concretely assisting the Group in developing its business in the Tier 2 cities.

Moreover, the Group has acquired a minority shareholding in a Chongqing company which operated a local weekly magazine, “Chongqing Yu Bao” (“重慶渝報”). Chongqing is one of direct-controlled municipality cities which has a population over 30 million that we regard it has huge business opportunities among the other Tier 2 cities.

The Directors believe that the “Style Weekend” in Hangzhou together with “Chongqing Yu Bao” in Chongqing have good prospect and will promptly adopt and role out this business model to other Tier 2 cities in the coming two years.

(ii) Launch Chinese version of renowned international magazine in the PRC

The Group has successfully created portfolio comprising a number of local weeklies and monthlies in the market over the past 10 years and planned to further broaden the publishing business scope by co-operating with international reputable publishers to release renowned magazine in Chinese version in the PRC .With such new international publications, additional revenue stream is expected to be created which could strengthen our market leading position and establish a more in-depth relationship with the international brand advertisers for future business cooperation. Our new international publication is planned to be launched in late 2010.

In response to rapidly changing media industry, the Group will continuously seek to diversify its business in the future. The Group will be active, yet cautious in pursuing new investment opportunities to expand from its core print media business to non-print media.

Taking into account the abovementioned strategic plans of our Group, together with healthy economic growth in the PRC and the upcoming Shanghai World Expo, the Directors are confident that the financial performance of the Group will continue to improve and we will bring sustainable promising return to our shareholders in future.

While “Modern Weekly” and “U+ Weekly” are both growing healthily and sturdily in the PRC weeklies market, the Group has been continuously seeking for diversification opportunities on its business in the coming future. The Directors believe the abovementioned plan can lead the Group towards its goal to become China’s most respectful and influential integrated media group creating sustainable value for our shareholders.

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2009.

(C) LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year 2009, the Group had a net cash used in operating activities of approximately RMB32.2 million, which were largely attributable to the increase in trade receivables. The increase in trade receivables was resulted from improvement in advertising revenue of the Group particularly in the fourth quarter of 2009. Up to the middle of March 2010, approximately 50% of trade receivables had been settled. In addition, the Group enhanced its sales and marketing effort to expand brand recognition and geographical coverage after listing of the Group's shares in September 2009. As a result, RMB4.5 million was spent on these marketing activities out of the listing proceeds raised during the year.

The Group's cash used in investing activities amounted to RMB21.0 million (2008: RMB45.5 million) which was mainly attributable to (a) capital expenditures for leasehold improvements and fixed assets of the new office in Guangzhou, (b) acquisition of publishing rights of magazines and (c) investment in a jointly controlled entity, Hangzhou Shili Cultural Media Co., Limited of RMB4.9 million out of the listing proceeds.

The Group's cash generated from financing activities amounted to RMB73.9 million which included (a) net proceeds from the listing of RMB80.2 million, (b) repayment of other loans of approximately RMB20.9 million and (c) net advance from bank loans of RMB17.6 million.

Amounts due from Guangzhou Zhongde

As at 31 December 2009, other receivables included the amounts of RMB17,202,000 (2008: RMBNil) due from Guangzhou Zhongde Consultation Co. Ltd ("Guangzhou Zhongde"). Guangzhou Zhongde was previously owned by Mr Shao, the controlling shareholder of the Company and subsequently disposed to an independent third party in April 2009. The amounts due from Guangzhou Zhongde were, as a result, reclassified to other receivables at 31 December 2009. The amounts due from Guangzhou Zhongde are unsecured, interest free and will be settled by instalments of approximately RMB600,000 every two months starting from January 2010. The Group received the first instalment of approximately RMB600,000 in February 2010.

Borrowings and gearing

As at 31 December 2009, the Group's outstanding borrowings was approximately RMB24.5 million. The total borrowings comprised secured bank loans of approximately RMB17.6 million and other loan of approximately RMB6.9 million. The gearing ratio as at 31 December 2009 was 7.5% (31 December 2008: 9.2%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2009, the total debts of the Group were repayable as follows:

	2009	2008
	RMB'000	*RMB'000*
Within 1 year or on demand	8,315	27,596
After 1 year but within 2 years	1,544	—
After 2 years but within 5 years	5,285	—
After 5 years	9,350	—
	16,179	—
	24,494	27,596

SHARE CAPITAL

On 9 September 2009, dealings in shares of the Company on the Stock Exchange commenced and as at 31 December 2009, 400,000,000 shares of the Company at the nominal value of HK$0.01 each were issued.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 31 December 2009, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

As at 31 December 2009, the Group's other loan in an amount of approximately US$1.0 million (equivalent to approximately HK$7.8 million or RMB6.9 million), as a security to which corporate guarantee was provided by the Company.

As at 31 December 2009, the Group's bank loans of RMB17,626,000 were secured by mortgages over the Group's properties in Beijing, the PRC. Corporate guarantees were provided by the Company and Shanghai Gezhi Advertising Co., Ltd., a subsidiary of the Group.

FOREIGN EXCHANGE RISKS

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the year.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2009, the Group had a total of 722 staff (2008: 698 staff), total staff costs (including Directors' remuneration) were approximately RMB97.5 million (2008: RMB91.2 million). The emoluments of the Directors are reviewed by the remuneration committee of the Company. The increase in head count was due to the launching of U+ Weekly and its continuous efforts in promoting brand recognition and developing larger media distribution network.

To recognize and reward the contribution of eligible employees for their contribution to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an Employee Share Award Plan (the "Plan") on 3 December 2009. The Plan has become effective on 7 December 2009. The Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. As at 31 December 2009, the Company have contributed HK$10,000,000 in the Plan for acquiring shares to the share pool which have not yet been vested and the amount was recorded in the Company's balance sheet.

REVIEW OF ANNUAL RESULTS

The Company's annual results for the year ended 31 December 2009 have been reviewed by the audit committee of the Company.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2009 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amounts set out in the Group's draft financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and do not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the auditors on this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

Before the shares of the Company were listed on the Main Board of the Stock Exchange, the Company had not yet adopted the CG Code (as defined below). On 24 August 2009, the Company adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules and has since the date of the Listing on 9 September 2009 up to the date of this report complied with the CG Code.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 24 August 2009 with written terms of reference. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Au-Yeung Kwong Wah (chairman of the Audit Committee), Mr. Wang Shi and Mr. Jiang Nanchun.

During the year, the Audit Committee met from time to time to review the Company's draft annual report and accounts, interim report and provided advice and comments thereon to the Company's board of directors, meeting with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The annual results of the Group for the year have been reviewed by the Audit Committee of the Company.

REMUNERATION COMMITTEE

The Company established a remuneration committee ("Remuneration Committee") on 24 August 2009 with written terms of reference. The Remuneration Committee currently comprises an executive Director, namely Mr. Wong Shing Fat (chairman of the Remuneration Committee), and two independent non-executive Directors, namely Mr. Au-Yeung Kwong Wah and Mr. Jiang Nanchun. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration of the Directors and determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the 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 enquiry of 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 since the date of listing on 9 September 2009 up to 31 December 2009.

ANNUAL GENERAL MEETING AND CLOSURE OF BOOKS

As the Company has not yet confirmed the date of the annual general meeting of the Company to be held in 2010 ("AGM") nor the period for closure of books ("Book Close Period") to determine shareholders' qualification of attending the AGM, the Company will announce the Book Close Period in the notice of AGM to be published upon confirmation of the date of the AGM in accordance with Rule 13.66 of the Listing Rules.

PUBLICATION OF THE ANNUAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

The Company's annual report for the year will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.modernmedia.com.cn in due course.

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

Hong Kong, 19 March 2010

As at the date of this announcement, the Board comprises the following members: (a) as executive Directors, Mr. Shao Zhong, Mr. Wong Shing Fat, Mr. Li Jian, Mr. Mok Chun Ho, Neil and Mr. Cui Jianfeng; (b) as independent non-executive Directors, Mr. Jiang Nanchun, Mr. Wang Shi and Mr. Au-Yeung Kwong Wah.