MODERN MEDIA HOLDINGS LIMITED

現 代 傳 播 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(stock code: 72)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2010

FINANCIAL HIGHLIGHTS

- Turnover for the six months ended 30 June 2010 amounted to approximately RMB183.1 million, representing an increase of approximately 34.7% as compared to the same period in 2009.
- Profit attributable to shareholders was RMB6.0 million.
- Earnings per share was RMB0.02.
- The Board did not recommend the payment of interim dividend.

The board ("Board") of directors ("Directors") of Modern Media Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2010 (the "Interim Period") together with comparative figures for the corresponding period in 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010 - UNAUDITED

		Six months ended 30 June	
		2010	2009
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	3 & 4	**183,071**	135,930
Cost of sales		**(83,491)**	(75,175)
Gross profit		**99,580**	60,755
Other revenue		**2,796**	2,687
Other net income		**289**	66
Selling and distribution expenses		**(45,842)**	(34,737)
Administrative and other operating expenses		**(44,241)**	(37,342)
Profit/(loss) from operations		**12,582**	(8,571)
Finance costs	5(a)	**(562)**	(464)
Share of profit of an associate		**—**	91
Loss on disposal of an associate		**—**	(1,469)
Share of loss of a jointly controlled entity		**(986)**	(26)
Profit/(loss) before taxation	5	**11,034**	(10,439)
Income tax	6	**(4,986)**	943
Profit/(loss) for the period		**6,048**	(9,496)
Other comprehensive income for the period			
Exchange differences on translation of financial statements of overseas subsidiaries		**(289)**	111
Total comprehensive income for the period		**5,759**	(9,385)
Profit/(loss) attributable to equity shareholders		**6,048**	(9,496)
Total comprehensive income attributable to equity shareholders		**5,759**	(9,385)
Earnings/(loss) per share (RMB)	7		
– Basic and diluted		**0.02**	(0.03)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010 - UNAUDITED

	Note	At 30 June 2010 *RMB'000* (Unaudited)	At 31 December 2009 *RMB'000* (Audited)
Non-current assets			
Fixed assets		**72,321**	70,244
Intangible assets		**3,781**	3,503
Interest in a jointly controlled entity		**3,993**	4,900
Investments and deposits	8	**6,080**	—
Deferred tax assets		**1,712**	2,215
		87,887	80,862
Current assets			
Trade receivables	9	**113,449**	113,776
Other receivables, deposits and prepayments		**69,703**	74,591
Taxation recoverable		**—**	631
Deposits and cash		**44,744**	57,922
		227,896	246,920
Current liabilities			
Trade payables	10	**38,273**	35,350
Other payables and accruals		**42,578**	45,756
Bank loans		**1,495**	1,447
Other loan	11	**—**	6,868
Taxation payable		**15,568**	22,885
		97,914	112,306

	Note	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Audited)
Net current assets		**129,982**	134,614
Total assets less current liabilities		**217,869**	215,476
Non-current liabilities			
Bank loans		**(15,419)**	(16,179)
Net assets		**202,450**	199,297
Capital and reserves			
Share capital		**3,531**	3,531
Reserves		**198,919**	195,766
Total equity		**202,450**	199,297

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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 People's Republic of China (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) *Basis of preparation*

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

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34"), issued by the International Accounting Standards Board (the "IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements except the changes mentioned in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2010.

2 Changes in accounting policy

The Group has adopted the following relevant revised International Financial Reporting Standards ("IFRSs"), amendments and interpretations effective from 1 January 2010:

- IFRS 3 (revised 2008), *Business combinations*

- Amendments to IAS 27, *Consolidated and separate financial statements*

- Improvements to IFRSs (2009)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

The Group has assessed the impact of the adoption of the new / revised IFRSs and the amendments and considered that there was no significant impact to the Group's results and financial position for the current or prior periods.

3 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 unit 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 event 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 budget of the respective segments, other entities that operate within these industries and geographical locations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2010 and 2009 is set out below:

	Six months ended 30 June 2010 (Unaudited)							
	Advertising						**Circulation**	**Total**
	Shanghai	**Beijing**	**Guangzhou**	**Shenzhen**	**Hong Kong**	**Sub-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	**124,740**	**18,236**	**22,845**	**8,517**	**8,448**	**182,786**	**7,659**	**190,445**
Reportable segment profit/(loss)	**69,945**	**(4,874)**	**(57,838)**	**3,184**	**(10,413)**	**4**	**7,659**	**7,663**
Interest income	**25**	**4**	**16**	**3**	**7**	**55**	**—**	**55**
Interest expense	**—**	**—**	**—**	**(562)**	**—**	**(562)**	**—**	**(562)**
Depreciation for the period	**(1,374)**	**(1,244)**	**(1,864)**	**(633)**	**(514)**	**(5,629)**	**—**	**(5,629)**
Amortisation for the period	**—**	**—**	**(225)**	**—**	**(29)**	**(254)**	**—**	**(254)**
Reportable segment assets	**79,106**	**9,331**	**8,983**	**1,047**	**3,303**	**101,770**	**10,936**	**112,706**

	Six months ended 30 June 2009 (Unaudited)							
	Advertising						Circulation	Total
	Shanghai	Beijing	Guangzhou	Shenzhen	Hong Kong	Sub-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	88,269	16,326	19,892	5,099	7,802	137,388	7,125	144,513
Reportable segment profit/(loss)	19,556	(8,620)	(22,871)	2,517	(9,697)	(19,115)	7,125	(11,990)
Interest income	31	6	17	3	—	57	—	57
Interest expense	—	—	—	(464)	—	(464)	—	(464)
Depreciation for the period	(1,834)	(956)	(563)	(1,187)	(437)	(4,977)	—	(4,977)
Amortisation for the period	—	—	(75)	—	(14)	(89)	—	(89)
Reportable segment assets	29,682	7,923	10,662	4,215	6,419	58,901	10,023	68,924

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue derived from the Group's external customers	**190,445**	144,513
Other income	**9,749**	3,855
Less: Sales taxes and other surcharges	**(17,123)**	(12,438)
Consolidated turnover	**183,071**	135,930

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit/(loss)		
Reportable segment profit/(loss) derived from the Group's external customers	**7,663**	(11,990)
Other income	**9,749**	3,855
Share of profit of an associate	**—**	91
Loss on disposal of an associate	**—**	(1,469)
Share of loss of a jointly controlled entity	**(986)**	(26)
Unallocated head office and corporate expense (note)	**(5,392)**	(900)
Consolidated profit/(loss) before taxation	**11,034**	(10,439)

Note:

Depreciation of RMB290,000 and RMB290,000 is included in unallocated head office and corporate expense for the six months ended 30 June 2010 and 2009 respectively.

Interest income of RMB8,000 and RMB1,000 is included in unallocated head office and corporate expense for the six months ended 30 June 2010 and 2009 respectively.

	At 30 June 2010 *RMB'000* (Unaudited)	At 31 December 2009 *RMB'000* (Audited)
Assets		
Reportable segment assets	**112,706**	113,408
Fixed assets	**72,321**	70,244
Intangible assets	**3,781**	3,503
Interest in a jointly controlled entity	**3,993**	4,900
Investments and deposits	**6,080**	—
Deferred tax assets	**1,712**	2,215
Sponsorship, event and service income receivable	**743**	368
Other receivables, deposits and prepayments	**69,703**	74,591
Taxation recoverable	**—**	631
Deposits and cash	**44,744**	57,922
Consolidated total assets	**315,783**	327,782

4 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 value added tax.

	Six months ended 30 June 2010 *RMB'000* (Unaudited)	2009 *RMB'000* (Unaudited)
Advertising income	**182,786**	137,388
Circulation income	**7,659**	7,125
Sponsorship, event and service income	**9,749**	3,855
	200,194	148,368
Less: Sales taxes and other surcharges	**(17,123)**	(12,438)
	183,071	135,930

5 Profit/(loss) before taxation

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest charged on bank loans repayable after 5 years	**562**	464
(b) Other items:		
Depreciation of fixed assets	**5,919**	5,267
Amortisation of intangible assets	**254**	89
Auditors' remuneration	**366**	136
Operating lease charges in respect of properties	**7,352**	6,298
Impairment losses on trade receivables, net	**298**	184
Interest income from bank deposits	**(63)**	(58)
Net foreign exchange gain	**(235)**	(65)

6 Income tax

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Provision for the PRC Corporate Income Tax	**4,483**	780
Provision for the Hong Kong Profits Tax	**—**	9
	4,483	789
Deferred tax		
Origination of temporary differences	**503**	(1,732)
Actual tax expense/(credit)	**4,986**	(943)

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) No provision for Hong Kong Profits Tax was made as the subsidiaries in Hong Kong incurred tax losses for the six months ended 30 June 2010.

(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 six months ended 30 June 2010, 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 20% and 22% for 2009 and 2010 and is increased to 24% and 25% for the years ending 31 December 2011 and 2012 onwards, respectively.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new Corporate Income Tax Law ("the new tax law") of the PRC which imposed a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends distributed by a PRC-resident enterprise to its immediate holding company outside mainland China for earnings generated beginning on 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. As of 30 June 2010, the Group has not provided for income taxes on accumulated earnings generated by its entities in the PRC for the six months ended 30 June 2010 since it is probable that they will not be reversed in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

7 Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2010 and 2009 is based on the net profit/(loss) attributable to equity shareholders of the Company, and a weighted average number of ordinary shares in issue less shares held for share award scheme of 396,125,000 and 300,000,000 respectively.

There were no dilutive potential ordinary shares during the six months ended 30 June 2010 and 2009.

8 Investments and deposits

In April 2010, the Group injected capital of RMB2,000,000, to obtain 4% equity interests in Zhejiang Dream Media Co., Ltd., a company incorporated in the PRC which is engaged in the provision of advertising and media services.

In April 2010, the Group entered into sale and purchase agreements with independent third parties to acquire 40% equity interests in Chongqing Yubao Culture Media Co., Ltd. ("Chongqing Yubao") for a consideration of RMB4,080,000 (the "Acquisition"). Chongqing Yubao was incorporated in the PRC which is engaged in the provision of advertising and media services. As at 30 June 2010, the Acquisition has not been completed and the amount of RMB4,080,000 was included in "investments and deposits".

9 Trade receivables

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

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	**30,612**	40,738
31 days to 90 days	**55,925**	45,111
91 days to 180 days	**21,477**	18,215
More than 180 days	**5,733**	9,712
	113,747	113,776
Less: allowance for doubtful debts	**(298)**	—
	113,449	113,776

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.

10 Trade payables

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

	At 30 June 2010 *RMB'000* (Unaudited)	At 31 December 2009 *RMB'000* (Audited)
Within 30 days	**10,930**	14,964
31 days to 90 days	**19,454**	11,827
91 days to 180 days	**7,746**	8,536
More than 180 days	**143**	23
	38,273	35,350

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

11 Other loan

In March 2010, the Group repaid RMB6,868,000 (equivalent to US$1,000,000) of the other loan.

12 Capital, reserves and dividends

(a) Dividends

No dividends were declared and distributed during the six months ended 30 June 2010 and 2009.

(b) Share Award Scheme

The Share Award Scheme ("Award Scheme") was approved to be established by the Board of Directors (the "Board") of the Company on 3 December 2009 and became effective on 7 December 2009. Details of the Award Scheme were set out in note 25(c) to the consolidated financial statements included in 2009 annual report.

During the Interim Period, a special purpose entity set up for the purpose of the Modern Media Employees Share Award Plan ("Modern Media Employee Share Trust") acquired 2,360,000 shares of the Company through purchases on the open market for the Award Scheme. The total amount paid to acquire the shares during the Interim Period was HK$3,132,000 (equivalent to RMB2,732,000) and had been deducted from shareholders' equity.

On 17 May 2010, a total of 110,000 shares ("Awarded Shares") were awarded to selected employees as approved by the Board. These Awarded Shares were vested immediately on 17 May 2010.

(i) Details of the Awarded Shares awarded and vested during 2010 are as follows:

Vesting date	Date of award	Number of Awarded Shares vested	Average fair value per share		Cost of related Awarded Shares	
			HK$	*RMB*	*HK$'000*	*RMB'000*
17 May 2010	17 May 2010	110,000	1.31	1.15	144	126

The fair value of the Awarded Shares on the award date is measured with reference to the market price of those Awarded Shares at the date of award. All the Awarded Shares were vested and transferred to selected employees as at 30 June 2010.

(ii) Movement in the number of Awarded Shares held under the Award Scheme is as follows:

	2010		2009	
	Number of shares held	**Value *RMB'000***	Number of shares held	Value *RMB'000*
At 1 January	**1,820,000**	**2,064**	—	—
Purchased during the period	**2,360,000**	**2,732**	—	—
Shares vested during the period	**(110,000)**	**(126)**	—	—
At 30 June	**4,070,000**	**4,670**	—	—

13 Contingent liabilities

At 30 June 2010 and 31 December 2009, the Group had no material contingent liabilities.

14 Material related party transactions

The Group entered into the following related party transactions during the six months ended 30 June 2010 and 2009.

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recurring		
Agency and commission income *(note (i))*	**713**	—
Non-recurring		
Management fee income *(note (ii))*	**—**	1,150

Notes:

(i) This represented agency and commission income receivable from a jointly controlled entity, Hangzhou Shili Cultural Media Co., Ltd. (杭州實力文化傳播有限公司) for the provision of services as advertising agents. It is charged at a pre-determined rate mutually agreed, which is based on the market rates of the related services provided.

(ii) 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.

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

Continued with the upward momentum in the second half of year 2009, the Group had achieved significant growth in both revenue and profit in the first half of year 2010 while compared with the same period for year 2009. Initiatives implemented since 2009 had helped the Group further solidify its market leadership in the weekly magazines market in the PRC. Therefore, when the PRC advertising market started to recover from the global financial turmoil since the end of 2009, the Group has been able to expand its market share and benefit largely from the economic recovery. Further, the Group's strong presence in Shanghai also enabled it to enjoy the regional prosperity brought about by the holding of World Exposition locally. During the Interim Period, the Group achieved turnover amounted to approximately RMB183.1 million, representing a growth of approximately 34.7% as compared with the same period of year 2009 (2009: RMB135.9 million).

The Group's profit attributable to equity shareholders for the Interim Period amounted to approximately RMB6.0 million as compared to a loss of RMB9.5 million for the same period in 2009. The Group achieved a significant growth in turnover and successfully turned around from the last period's loss situation which were mainly attributable to (i) the Group's flagship magazine "Modern Weekly" which remained as the market leader of the PRC's lifestyle weekly magazine market, (ii) the successful launch of a women lifestyle magazine, "U+ Weekly", which became a new revenue generator during the Interim Period.

DIVIDEND

From our past experience, the first half of a financial year usually contributes a relatively smaller share of the full-year profit. Although the Group achieved major business turnaround in the first half of year 2010, the Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010. The Directors will decide on the dividend policy after evaluating the full year financial performance of 2010. (2009: Nil).

(A) BUSINESS REVIEW

Advertising

The PRC

During the Interim Period, the Group operated in total two national weekly, one local weekly and six monthly magazines in the PRC, including "週末畫報" ("Modern Weekly"). On top of the existing magazine portfolio, the Group has launched a new bi-monthly bilingual art magazine, namely "LEAP", in February 2010. "LEAP" is a professional and authoritative commentary on the contemporary art in the PRC. The Group's weekly and monthly magazines altogether contributed an advertising revenue of approximately RMB174.3 million (2009: RMB129.6 million) representing a significant increase of approximately 34.5% as compared to the same period of 2009.

The performance of our flagship magazine, "Modern Weekly", remained strong in the first half of year 2010. Its growth momentum continued with increase in the number of readership and advertising volume throughout the Interim Period.

"U+ Weekly" was crowned to be the most popular and well-accepted women lifestyle weekly magazine, evident by the fact of its No. 1 circulation in the PRC among weekly magazines as recognised by Beijing Kai Yuan Circulation Research Company. Besides its widespread circulation, "U+ Weekly" also became a new revenue generator of the Group. Advertisers have been increasingly aware of the value of "U+ Weekly" as a mature and effective promotional media. This drove its advertising revenue to achieve significant year-on-year growth despite the magazine was still in its launching phase.

Regarding other monthly magazines operated by the Group in the PRC, the advertising revenues had been greatly improved when compared with that of last year. The Group will keep on implementing selective marketing promotions and undergoing certain appropriate content adjustments in order to stimulate the advertising income of those magazines in the second half of year 2010.

Hong Kong

In the past few years, our Hong Kong operation had experienced a transition in positioning from a major sales office to a major service centre of the Group which supports the sales and publishing needs of the Group's operation in the PRC. During the Interim Period, the Group published a monthly magazine, "City Magazine", and operated an advertising agency company in Hong Kong, which accounted for approximately 4.6% of the Group's total advertising revenue for the Interim Period. Although we have observed that advertisers continued to shift their advertising and marketing decision-making operations to the PRC, the Group's Hong Kong sales team managed to maintain the local billing through new customer development. The Hong Kong operation contributed an advertising revenue of RMB8.4 million (2009: RMB7.8 million) that represented a reasonable increase of approximately 7.7% when compared to corresponding period of last year.

Circulation

The circulation revenue in the Interim Period amounted to approximately RMB7.7 million, which was slightly increased by approximately 8.5% from RMB7.1 million in the same period of 2009. The increase was due to the continued expansion of the magazines distribution network and the increase in printing volume of weekly magazines in order to enlarge our reader base.

(B) BUSINESS OUTLOOK

In our Directors' view, PRC media business is going through three major transitions, namely, technology transition, government policy transition and consumer lifestyle transition. Firstly, new technology had removed the boundaries of the communication media. Contents are being transmitted to audience via more types of media formats and at a quicker speed. Secondly, the PRC government is promoting greater reform in the cultural industry. Thirdly, the emerging of the middle class in the PRC had elevated the demand for quality media service. These three major forces of transitions are working together in reshaping the Chinese media market unprecedentedly. The Group considers it as a valuable opportunity in realising its mission of becoming a respectful and influential integrated media group. Looking forward, the Group is developing its key competence in the following arena: print media, TV media and digital media.

i) Print Media

As the foundation of the Group, business in print media, especially weekly magazines, will continue to be the Group's core revenue stream in the near future. In order to sustain continuous growth of economy, the PRC government has promulgated various policies in stimulating domestic consumption. Furthermore, urbanisation process in the PRC will also stimulate lifestyle spending in large metropolitan regions. The Directors believe that both factors will lead to continuous expansion of lifestyle advertisement spending in the coming years. Our business is expected to benefit largely from the trend given its leading position in lifestyle publication.

a) Stable business growth in the weekly magazine market

Benefited from the PRC's economic stimulus measures, consumer confidence has gradually risen, resulting in a growth in advertising revenue of our publications, especially the weekly magazines. "Modern Weekly" has gained significant recognition and leadership in the weekly magazine market. According to Admango Statistic, "Modern Weekly" had further expanded a advertising revenue market share to 22.5% in the weekly magazine market. The Directors believe that the existing market leadership of "Modern Weekly" will secure a stable revenue growth in the rest of year 2010 and the years following.

Moreover, the strong circulation performance of "U+ Weekly" has given confidence to both existing and potential advertisers. It is building up its renowned reputation as one of the most popular women magazine in the PRC. In order to maintain the upward sales trend of "U+ Weekly", the Group will strengthen its marketing and trade promotion campaigns in both tier-1 and tier-2 cities in the coming six months. The Directors are optimistic that "U+ Weekly" will enjoy a fruitful year in both advertising and circulation sales and it is expected that "U+ Weekly" will become a solid revenue generator of the Group in the coming years.

b) *Penetration into tier-2 cities*

In order to capture the fast-growing regional advertisement markets in tier-2 PRC cities, the Group has decided to penetrate into these markets with publication of regional weekly magazines. The Group launched its first local weekly magazine namely "Style Weekend" in Hangzhou in January 2010. The new publication had successfully arisen the attention of the readers and advertisers in Hangzhou where growth of brand consumption was increased significantly in the past few years. The performances in advertising and circulation were in line with the expectations of the management.

Furthermore, the Group also acquired its equity interests in a Chongqing company which operated a local weekly magazine, "Chongqing Yu Bao" in April 2010 which acquisition is currently pending for completion. The strategic acquisition was intended to tap into the advertising market of this direct-controlled municipality city with a population over 30 million.

The Group will continue to look for new opportunities and add more regional weekly magazines into its publication portfolio in the future.

c) *Launching Chinese version of renowned international title*

The Group is planning with Numero Presse, SAS of France to launch the Chinese version of a renowned high-end fashion magazine, namely "Numero", in September 2010. "Numero" Chinese version will be positioned as a high quality fashion magazine in the PRC. It is anticipated that the launch of "Numero" will further attract advertising revenues from high-end fashion and luxury goods advertisers. Through such cooperation with international publishers, the Group is one step closer in achieving its long-term pursuit of content internationalisation.

ii) TV media

The Group has entered into a strategic partnership with the Hangzhou CRT (Cultural, Radio, and Television) Group ("Hangzhou CRT"), which is the operator of Hangzhou TV Station and the Group's JV partner of Hangzhou Shili Cultural Media Co., Ltd. which publishes "Style Weekend". In April 2010, the Group has acquired 4.0% equity interests in a TV channel operational entity, in which Hangzhou CRT is the majority shareholder.

Meanwhile, Hangzhou CRT is providing technical assistance to the Group in setting up a TV program production studio in Shanghai in the second half of year 2010 for converting the contents of the Group's lifestyle magazines into TV programs. Hangzhou CRT agreed to offer certain airtime to broadcast the lifestyle programs to be produced by the Group. The Group is aiming to promote its TV programs to other TV channels of major PRC cities after the pilot launch in Hangzhou.

The Group has set the TV media as its new growth arena for two reasons. Firstly, TV media is a platform that accounts for the largest share of advertising market. Secondly, the combination of three networks (the TV network, the mobile phone network and the Internet) campaign in the PRC is calling for new quality content providers from related media fields. By adopting the above business development strategies, we could differentiate ourselves from other competitors and increase our competitiveness in the industry. We strive to develop our key competitive edges in the TV media, and aiming to raise the revenue from TV media to a significant share in its total revenue portfolio in the future years.

iii) Digital Media

Technological innovation has made digital media closer to our real lives than ever. The Group is actively participating in the application of new media. The Group is launching three plans to escalate the development of digital media:

a) Mobile Media

The recent popularity of Apple's products, such as iPhone and iPad, has inspired the Group to participate in the contents communication in mobile terminals. The Group is planning to enter into the publication in mobile terminals. The Group may develop its mobile media competence through acquisition.

b) Digital Publishing

The Group has accumulated large volume of content database from its past publications. It is looking for the opportunity to acquire appropriate digital publishing platform, in order to re-utilise its valuable content resources. Re-publication of contents in digital format will create additional revenue source to the Group, while incurring limited publishing costs.

c) Elite Social Community Website

Following rapid development in the past decade, the Internet has been largely blended into our daily lives. Advertisers have increasing on-line promotional needs. In response to customer needs, the Group is aiming to create an interactive communication platform to link up advertisers and its broad audience base through establishing an elite social community website. This community website will be backed by rich lifestyle information and broad contributors and audience network of the Group. The on-line network will not only generate additional revenue, but also creative contents from the interaction with its audience.

iv) Exploration of the Taiwan market by establishing a branch

The Group considers Taiwan is an important spot for Chinese culture. In order to establish a foothold for importing innovative Chinese contents from Taiwan, as well as exporting the rich content resources to our Taiwanese peer, the Group is planning to establish a branch operation in Taiwan which is expected to commence operation in the fourth quarter of 2010. Such branch in Taiwan will play an important role in recruiting top-notch Taiwanese talents and promoting some of the Group's high-end publications to the local markets.

(C) LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL COMMITMENTS

Net cash flows for the Group's operating and unsecured banking facilities

For the Interim Period, the Group generated a net cash inflow from operating activites of RMB5.3 million (2009: cash outflow of RMB20.8 million). The increase compared to 2009 in operating cash flow was primarily due to the increase in advertising income during the Interim Period.

The Group finances its operations principally with cash flow generated by its operating activities and, to a lesser extent, bank loan facilities provided by its principal bankers.

As at 30 June 2010, the Group has bank balances and short-term deposits of RMB44.7 million.

As at 30 June 2010, the Group had available banking facilities of approximately RMB14.7 million and all of which remained undrawn. All the banking facilities bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in Hong Kong Dollars (HK$) and Renminbi (RMB).

Net cash and gearing

As at 30 June 2010, the Group's net cash was approximately RMB27.8 million which was made up of total outstanding borrowings of approximately RMB16.9 million and bank deposits and cash of approximately RMB44.7 million. The total borrowings comprised secured bank loans of approximately RMB16.9 million. The gearing ratio as at 30 June 2010 was 5.4% (31 December 2009: 7.5%), which was computed based on the ratio of the total debts divided by total assets .

The Group had fully repaid the other loan of RMB6.9 million in March 2010.

As at 30 June 2010, the total borrowings of the Group were repayable as follows:

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
Within 1 year or on demand	**1,495**	8,315
After 1 year but within 2 years	**1,595**	1,544
After 2 years but within 5 years	**5,460**	5,285
After 5 years	**8,364**	9,350
	15,419	16,179
	16,914	24,494

Major capital expenditure and commitments

Capital expenditures of the Group for the Interim Period include expenditures on fixed assets of approximately RMB8.0 million (corresponding period of 2009: RMB2.9 million).

In April 2010, the Group injected RMB2,000,000, representing 4.0% equity interests in a Hangzhou entity which is engaged in the provision of advertising and media services.

In April 2010, the Group entered into sale and purchase agreements with independent third parties to acquire 40.0% equity interests in a Chongqing entity for a consideration of RMB4,080,000. The acquisition has not yet completed as at the date of this announcement.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at 30 June 2010 and 31 December 2009, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

As at 30 June 2010, the Group's bank loan of RMB16.9 million was secured by a mortgage over the Group's property in Beijing, the PRC and guarantees from Modern Media Holdings Limited 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 Interim Period.

EMPLOYEES

As at 30 June 2010, the Group had a total of 754 staff (as at 31 December 2009: 722 staff), whose remunerations and benefits are determined based on market rates, state policies and individual performance. The increase in the number of employees was mainly due to the expansion of editorial and distribution staff for "U+ Weekly" and the newly launched magazine, "LEAP".

SHARE AWARD SCHEME

Details of the Share Award Scheme and the shares awarded during the Interim Period are set out in note 12(b) to the interim financial report.

SHARE OPTIONS

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

No share option was granted, exercised, cancelled or has lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Save as disclosed, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the Interim Period.

CORPORATE GOVERNANCE

The Company had compiled throughout the Interim Period with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee of the Company has reviewed accounting principles and practices adopted by the Group and have also reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2010.

REMUNERATION COMMITTEE

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

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conducts regarding director's securities transaction. Having made specific enquiry to all the Directors of the Company, all of them confirmed that they have compiled with the required standard of dealings as set out in the Model Code throughout the Interim Period.

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

Hong Kong, 17 August 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 Mok Chun Ho, Neil, Mr Li Jian and Mr Cui Jianfeng; (b) as independent non-executive directors, Mr Jiang Nanchun, Mr Wang Shi and Mr Au-Yeung Kwong Wah.