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 2010

FINANCIAL HIGHLIGHTS

2010		**2010**	2009	Variance
HK$'000*		**RMB'000**	RMB'000	RMB'000
539,111	**Turnover**	**456,255**	333,156	123,099
62,332	**Profit for the year**	**52,752**	31,186	21,566
HK$0.15	**Earnings per share (RMB)**	**0.13**	0.09	0.04
490,657	**Total assets**	**415,248**	327,782	87,466

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.1816 to RMB1.

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 2010 together with comparative figures for the previous corresponding year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	**2010**	2009
		RMB'000	RMB'000
Turnover	2, 3	**456,255**	333,156
Cost of sales		**(183,056)**	(146,042)
Gross profit		**273,199**	187,114
Other revenue		**5,459**	2,849
Other net (loss)/income		**(978)**	45
Selling and distribution expenses		**(92,266)**	(69,805)
Administrative and other operating expenses		**(110,084)**	(79,411)
Profit from operations		**75,330**	40,792
Finance costs	4(a)	**(1,176)**	(1,049)
Share of profit of an associate		**405**	91
Loss on disposal of an associate		**—**	(1,469)
Share of loss of a jointly controlled entity		**(3,208)**	(26)
Profit before taxation	4	**71,351**	38,339
Income tax	5	**(18,599)**	(7,153)
Profit for the year		**52,752**	31,186
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,214)**	142
Total comprehensive income for the year		**51,538**	31,328
Profit attributable to equity shareholders		**52,752**	31,186
Total comprehensive income attributable to equity shareholders		**51,538**	31,328
Earnings per share (RMB)	6		
–Basic and diluted		**0.13**	0.09

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Fixed assets		**72,063**	70,244
Intangible assets		**7,031**	3,503
Goodwill	8	**12,961**	—
Interest in an associate	9	**4,485**	—
Interest in a jointly controlled entity		**1,692**	4,900
Investments and deposits	10	**2,000**	—
Deferred tax assets		**3,188**	2,215
		103,420	80,862
Current assets			
Trade receivables	11	**153,644**	113,776
Other receivables, deposits and prepayments		**77,571**	74,591
Taxation recoverable		**—**	631
Deposits and cash		**80,613**	57,922
		311,828	246,920
Current liabilities			
Trade payables	12	**23,777**	35,350
Other payables and accruals		**71,642**	45,756
Amount due to a jointly controlled entity		**766**	—
Bank loans		**8,301**	1,447
Other loan	13	**—**	6,868
Taxation payable		**29,430**	22,885
		133,916	112,306
Net current assets		**177,912**	134,614
Total assets less current liabilities		**281,332**	215,476
Non-current liabilities			
Bank loans		**(14,649)**	(16,179)
NET ASSETS		**266,683**	199,297
CAPITAL AND RESERVES			
Share capital		**3,675**	3,531
Reserves		**263,008**	195,766
TOTAL EQUITY		**266,683**	199,297

1 CORPORATE INFORMATION AND GROUP REORGANISATION

(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 Suite 1101-03, 11/F, Fortis Centre, 1063 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

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IASs") and related interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies and methods of computation used in the preparation of the financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2009 except the changes mentioned below.

The IASB has issued revised IFRSs and new Interpretations that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 3 (revised 2008), Business combinations
- Amendments to IAS 27, Consolidated and separate financial statements
- Improvements to IFRSs (2009)

The adoption of the above new or revised standards, amendments and interpretations had no significant impact on the financial information of the Group.

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

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 before taxation, 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 most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2010 and 2009 is set out below:

	Year ended 31 December 2010							
			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	**304,901**	**48,973**	**54,916**	**22,740**	**19,973**	**451,503**	**18,271**	**469,774**
Reportable segment profit/(loss)	**174,958**	**3,343**	**(123,125)***	**11,052**	**(20,707)**	**45,521**	**18,271**	**63,792**
Interest income	**31**	**7**	**25**	**6**	**7**	**76**	**—**	**76**
Interest expense	**—**	**—**	**—**	**(1,106)**	**—**	**(1,106)**	**—**	**(1,106)**
Depreciation for the year	**(2,937)**	**(2,550)**	**(3,917)**	**(1,237)**	**(977)**	**(11,618)**	**—**	**(11,618)**
Amortisation for the year	**—**	**—**	**(577)**	**—**	**(57)**	**(634)**	**—**	**(634)**
Reportable segment assets	**96,305**	**19,893**	**9,792**	**2,413**	**5,943**	**134,346**	**11,239**	**145,585**

	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

* Included in this segment was the Group's printing costs of RMB90,791,000 (2009: RMB80,603,000).

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

	2010 RMB'000	2009 RMB'000
Revenue		
Reportable segment revenue derived from the Group's external customers	**469,774**	353,280
Other income	**27,944**	9,293
Less: Sales taxes and other surcharges	**(41,463)**	(29,417)
Consolidated turnover	**456,255**	333,156
Profit		
Reportable segment profit derived from the Group's external customers	**63,792**	34,931
Other income	**27,944**	9,293
Share of profit of an associate	**405**	91
Loss on disposal of an associate	**—**	(1,469)
Share of loss of a jointly controlled entity	**(3,208)**	(26)
Unallocated head office and corporate expense (note)	**(17,582)**	(4,481)
Consolidated profit before taxation	**71,351**	38,339

Note: Depreciation of RMB601,000 is included in unallocated head office and corporate expense for the year ended 31 December 2010 (2009: RMB553,000).

Interest income of RMB10,000 is included in unallocated head office and corporate expense for the year ended 31 December 2010 (2009: RMB3,000).

Interest expenses of RMB70,000 is included in unallocated head office and corporate expenses for the year ended 31 December 2010 (2009: RMBNil).

	2010	2009
	RMB'000	RMB'000
Assets		
Reportable segment assets	**145,585**	113,408
Fixed assets	**72,063**	70,244
Intangible assets	**7,031**	3,503
Goodwill	**12,961**	—
Interest in an associate	**4,485**	—
Interest in a jointly controlled entity	**1,692**	4,900
Investments and deposits	**2,000**	—
Deferred tax assets	**3,188**	2,215
Sponsorship, event and service income receivable	**8,059**	368
Other receivables, deposits and prepayments	**77,571**	74,591
Taxation recoverable	**—**	631
Deposits and cash	**80,613**	57,922
Consolidated total assets	**415,248**	327,782

(c) Geographic information

The following table sets out information about the distribution of the Group's non-current assets, which comprises of fixed assets, intangible assets, goodwill, investments and deposits and interests in an associate and a jointly controlled entity ("Specified Non-current Assets"). The geographical location of the total sum of Specified Non-current Assets is based on the physical location of the asset, in the case of fixed assets, the location of the operation to which they are allocated, in the case of intangible assets and goodwill and the location of operations, in the case of investments and deposits and interests in an associate and a jointly controlled entity.

	2010	2009
	RMB'000	RMB'000
The PRC (place of domicile)	**95,097**	73,533
Taiwan (Note)	**920**	—
Hong Kong	**4,215**	5,114
	100,232	78,647

Note: During the year, the Group set up a branch office in Taiwan.

(d) Major customers

The Group's customer base includes one customer (2009: one customer) with whom transactions have exceeded 10% of the Group's revenues. During the years ended 31 December 2010 and 2009, advertising income from this major customer amounted to RMB51,532,000 and RMB45,795,000 respectively and arose in the 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.

	2010	2009
	RMB'000	RMB'000
Advertising income	**451,503**	339,134
Circulation income	**18,271**	14,146
Sponsorship, event and service income	**27,944**	9,293
	497,718	362,573
Less: Sales taxes and other surcharges	**(41,463)**	(29,417)
	456,255	333,156

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2010 RMB'000	2009 RMB'000
(a) Finance costs		
Interest charged on:		
– Bank loans repayable within 5 years	**70**	—
– Bank loans repayable after 5 years	**1,106**	1,049
	1,176	1,049
(b) Staff costs		
Salaries, wages and other benefits	**115,218**	82,776
Share based payments expense	**126**	—
Contributions to defined contribution retirement plan (note)	**18,508**	14,706
	133,852	97,482
(c) Other items		
Depreciation of fixed assets	**12,219**	9,128
Amortisation of intangible assets	**634**	343
Auditors' remuneration	**1,723**	1,594
Operating lease charges in respect of properties	**16,293**	13,698
Impairment losses on trade receivables, net	**686**	184

Note:

Employees of the Group's subsidiaries operated in the PRC are required to participate in a defined contribution retirement benefit scheme administered and operated by the local municipal government. The Group's subsidiaries operated in the PRC are required to make contributions to the scheme at 20% of the employees' salaries for the years ended 31 December 2010 and 2009 to fund the retirement benefits of the employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed within the ambit of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF scheme vest immediately.

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

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2010	2009
	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	**20,362**	9,343
Under-provision in respect of prior years	**450**	—
	20,812	9,343
Current tax – Hong Kong Profits Tax		
Provision for the year	**—**	25
Over-provision in respect of prior years	**(1,077)**	—
	(1,077)	25
Deferred tax		
Origination of temporary differences	**(1,136)**	(2,215)
	18,599	7,153

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 2010 and 2009 were calculated at 16.5% of the estimated assessable profits for the respective years.

(iii) Taxation for subsidiaries operating in the PRC is calculated at the prevailing tax rates based on existing legislation, interpretations and practices in respect thereof.

The Group's PRC operations are subject to the following income tax rates:

— Zhuhai Modern Zhimei Culture Media Co., Ltd.（珠海現代致美文化傳播有限公司）, Zhuhai Yinhu Advertising Co., Ltd.（珠海市銀弧廣告有限公司）, Shenzhen Yage Zhimei Information Media Co., Ltd.（深圳市雅格致美資訊傳播有限公司）and Shanghai Gezhi Advertising Co., Ltd.（上海格致廣告有限公司, "Shanghai Gezhi"）are subject to income tax at 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively.

— With effect from 2009, the permitted business scope of Modern Media (Zhuhai) Technology Co., Ltd.（現代傳播（珠海）科技有限公司, "Zhuhai Technology"）has been amended to include the provision of consultation services on project planning, social economic information and enterprise management and enterprise image planning. Accordingly, Zhuhai Technology is no longer entitled to the 2+3 tax holiday and is subject to income tax at 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively.

— Yazhimei Information Consultation (Shenzhen) Co., Ltd.（雅致美信息諮詢（深圳）有限公司）, Guangzhou Modern Information Media Co., Ltd.（廣州現代資訊傳播有限公司）, Shanghai Yage Advertising Co., Ltd.（上海雅格廣告有限公司）, Beijing Modern Yage Advertising Co., Ltd.（北京現代雅格廣告有限公司）, Beijing Yage Zhimei Advertising Media Co., Ltd.（北京雅格致美廣告傳播有限公司）, Guangzhou Modern Books Co., Ltd.（廣州現代圖書有限公司）and Guangzhou Yage Advertising Co., Ltd.（廣州雅格廣告有限公司）are subject to income tax at 25% (2009: 25%).

The new tax law also imposes 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 exempt from such withholding tax. As of 31 December 2010, the Group has not provided for income taxes on accumulated earnings generated by its PRC entities for the years ended 31 December 2010 and 31 December 2009 since it is probable that they will not be distributed to its immediate holding company outside Mainland China in the foreseeable future. It is not practicable to estimate the amount of additional taxes that might be payable on such undistributed earnings.

6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB52,752,000 (2009: RMB31,186,000) and the weighted average number of ordinary shares in issue after adjusting for shares held for share award scheme and placing of shares of 400,405,000 (2009: 331,233,000) calculated as follows.

	2010	2009
	'000	'000
Issued ordinary share at 1 January	**400,000**	300,000
Effect of shares issued in connection with the Listing	**—**	31,233
Effect of shares held for share award scheme	**(3,973)**	—
Effect of share placement	**4,378**	—
	400,405	331,233

There were no dilutive potential ordinary shares during the years ended 31 December 2010 and 31 December 2009.

7 DIVIDENDS

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

	2010	2009
	RMB'000	RMB'000
Dividend declared and paid during the year	**—**	81,999

8 GOODWILL

On 26 November 2010, the Group entered into agreement with an independent third party to acquire the business operation of "iWeekly" and its related assets (the "Acquired Business"). The principal activities of the Acquired Business are the provision of the advertising service in the publication of iWeekly. Goodwill of RMB12,961,000 arose from the acquisition of business operation of "iWeekly".

9 INTEREST IN AN ASSOCIATE

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. (重慶渝報文化傳播有限公司, "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.

10 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. (浙江夢想傳媒有限公司), a company incorporated in the PRC which is engaged in the provision of advertising and media services.

11 TRADE RECEIVABLES

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

	2010 RMB'000	2009 RMB'000
Within 30 days	67,053	40,738
31 days to 90 days	54,826	45,111
91 days to 180 days	28,677	18,215
More than 180 days	3,774	9,712
	154,330	113,776
Less: Allowance for doubtful debts	(686)	—
	153,644	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.

12 TRADE PAYABLES

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

	2010 RMB'000	2009 RMB'000
Within 30 days	6,196	14,964
31 days to 90 days	10,318	11,827
91 days to 180 days	7,040	8,536
More than 180 days	223	23
	23,777	35,350

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

13 OTHER LOAN

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

14 CONTINGENT LIABILITIES

As at 31 December 2010, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank loans and credit facilities, and other loan of up to RMB16,180,000 (2009: RMB24,494,000). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured and their transaction price was RMBNil (2009: RMBNil).

As at 31 December 2010, the Group's printing credit line in an amounts of approximately HK$20 million was secured by corporate guarantee given by the Company.

As at 31 December 2010 and 2009, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

As at 31 December 2010 and 2009, the Group had no other material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

2010 has been a year of challenges and opportunities. With the global recession receding and the PRC economy persistently recovering in 2010, the Group delivered satisfactory results in both turnover and operating profit for the year as a whole. For the year 2010, the Group's turnover amounted to approximately RMB456.3 million, which represented a sharp increase of 36.9% compared with that of year 2009 and outperformed the market average growth of 19.0% according to survey figures of CVSC-TNS Market Research Company Ltd. ("CTR") for the magazine sector. The performance of the Group's two flagship magazines, the "Modern Weekly" and "U+ Weekly" largely exceeded the industry average and occupied leading positions in both advertising revenue and circulation statistics. With the combined effects of strong revenue growth from both weekly and monthly magazines and effective cost control, profit margins of the Group had increased significantly in 2010. The Group recorded a net profit amounted to approximately RMB52.8 million for the year 2010, representing a significant growth of 69.2% as compared with that of year 2009.

(A) BUSINESS REVIEW

(i) Advertising

The PRC

In 2010, the PRC economy persisted with a recovery in general owing to the proactive policies adopted by the Chinese government and the strength of domestic consumption. In addition, major events including the Shanghai World Expo and the Guangzhou Asian Games further created business opportunities for the advertising industry in the PRC. Both ZenithOptimedia and CTR estimated that the advertising market fared robustly in 2010, having regained its momentum to record about 12.0% year-on-year increase when compared with that of year 2009. During the year 2010, the Group had a portfolio of two weekly and six monthly magazines in the PRC. The turnover from the operation in the PRC for the year was approximately RMB431.5 million (2009: RMB317.8 million), representing a sharp increase of approximately 35.8% on a yearly basis.

The performance of our flagship weekly magazine "Modern Weekly" stood out in 2010. It kept its strong momentum in growth during the year and achieved excellent results. According to the surveys by Admango Limited, "Modern Weekly" continuously ranked No. 1 in advertising revenue among all weekly magazines in the PRC. In the year 2010, "Modern Weekly" enjoyed a buoyant advertising environment and saw a 28.1% increase in its advertising revenue on a year-on-year basis. The solid growth in revenue, coupled with sound control on the printing and other operating costs, led to a remarkable increase in operating profits for "Modern Weekly". "Modern Weekly" continued to be the largest contributor to the Group's profits in 2010.

"U+ Weekly", with an entrenched market leading position as a lifestyle weekly magazine for rising middle-class feminine readers, was well placed to reap profit from the positive market conditions. Its advertising revenue in 2010 increased by 104.2% as compared with that of 2009. During 2010, "U+ Weekly" launched a series of marketing campaigns covering ten 1st tier and 2nd tier cities in the PRC. Such marketing events attracted widespread attention from readers and further increased its market influence. Seven quarters in a row since its launch in December 2008, "U+ Weekly" ranked No. 1 in terms of circulation volume among all women lifestyle magazines in the PRC, according to Beijing Kai Yuan Circulation Research Company. Moreover, it had raised its cover price from RM3 to RMB5 since November 2010 without any adverse impact on circulation volume. This is an encouraging sign, which shows that "U+ Weekly" has gained sustaining and steady support from its readers.

In September 2010, the Group launched the Chinese edition of "Numero", which was a French renowned high-end fashion magazine. "Numero" received positive responses from both advertisers and readers and its performances in advertising and circulation were in line with the expectations of the management.

Aside from the Chinese edition of "Numero", among other monthly magazines operated by the Group in the PRC, the advertising revenues had been greatly increased when compared with that of last year. Such portfolio of magazines is important for the Group's marketing strategy for attracting readers and advertisers from different segments.

Hong Kong

During the year 2010, the Group's monthly magazine, "City Magazine" provided advertising agency services for the PRC magazines operated by the Group in Hong Kong, which accounted for approximately 4.4% of the Group's total advertising revenue (2009: 6.3%). The advertising revenue of the Hong Kong operations in 2010 improved significantly as a result of the economic revival in Hong Kong which in turn was a result from the recovery of worldwide economy and in particular, the PRC. In spite of the increase in turnover, the Group have also adopted a series of cost saving procedures including the restructuring of workflow and the relocation of office in order to achieve a better financial results.

(ii) Circulation

Owing to the expansion of magazine distribution networks in more and more second tier cites in the PRC, the circulation revenue in 2010 increased by approximately 29.2% compared to that in 2009. Such strategy further consolidated the market influence of the Group's magazines and aroused the interest of local brand advertisers.

(iii) Local Weekly Magazines

Last year, the Group cooperated with some local partners to launch two local weekly magazines in Hangzhou and Chongqing. Although the local weekly magazines contributed limited turnover to the Group's entire magazine portfolio, they are strategically important to the geographic expansion of business of the Group. Both investment projects recorded steady growth throughout 2010. The performance of these local weekly magazines was in line with the original investment objectives and plans.

(iv) Building 4Cs Competitive Edges

During 2010, besides pursuing outstanding growth in financial figures, the Group spent great efforts in sharpening its competitive edges in 4Cs, namely Contents, Channels, Customers (audience) and Clients.

In terms of Contents, the Group introduced a series of international cooperation titles from 2010, namely Numero (France), Intersection (UK), and The New York Times "Turning Point" (USA). These international cooperation projects indicated that the quality of the Group's publications was recognized by internationally leading publishers, and the standard of its publications was arisen. Meanwhile, leading international magazine titles are broadly accepted by brand marketers in placing advertisements. Therefore, international cooperation will become a key strategy for the Group to grow its print-media business in the coming years.

In terms of Channels, the Group pursued cross-media integration actively. During the year, the Group acquired an Apple iOS-formatted iPhone & iPad application, namely "iWeekly". This is a free of charge application to keep iPhone & iPad user up-to-date with the contents and information of the portfolio of the Group's magazine. Since the acquisition, "iWeekly" continues to attract new users rapidly. By far, the application has attracted over 2 million subscribers, and been ranked No. 1 iPhone and iPad Chinese media application according to Apple's statistics. After such acquisition, the Group started to promote on-line advertising for "iWeekly", and received positive responses from advertisers. On the other hand, subsequent to the year end, the Group completed the establishment of its first TV production studio in Shanghai. The TV production studio is expected to play an important role in converting the Group's rich print-media contents into video format. The Group entered into a memorandum of understanding with Hangzhou TV Station to broadcast its lifestyle TV program commencing from the first half of 2011.

Finally, progress in terms of Customers (audience) and Clients have been largely reflected in the Group's continuously growing circulation volume and advertising revenue figures. Over the years, the Group has accumulated a large number of loyal audiences and advertising clients, which forms critical foundations to its business.

(B) BUSINESS OUTLOOK

The Group is generally optimistic for the operating results in the year of 2011. According to a recent market forecast provided by ZenithOptimedia, it is estimated that the total advertisement spending in China will grow by 14.8% and 17.5% in 2011 and 2012 respectively as compared to 2010. We believe the trend of rising middle class and consumerism in China will drive more and more of our customers to showcase their brands and products through our cross-media platform. The prosperous Chinese market provides solid supports to the "Customers" and "Clients" ends of our business. We are confident that our targeted audience base will grow rapidly along with the rise in population of middle class in China. Meanwhile, strong consumer demand will drive up the advertising spending of our clients. Leveraging on the good business environment, the Group is aiming to implement the following strategies in 2011 in order to further sharpen its competitive edges in "Contents" and "Channels".

(i) Launching simplified Chinese edition of "Bloomberg Businessweek"

Print-media will remain the Group's major source of income in the foreseeable future. The Group will continue to augment its publication portfolio diversity through new licensing and cooperation deals with renowned international magazine titles. Followed by series of international cooperation projects in 2010, the Group had announced a new cooperation with Bloomberg L.P. to publish the simplified Chinese edition of "Bloomberg Businessweek" in 2011. The simplified Chinese edition of "Bloomberg Businessweek" will become the Group's third weekly magazine, after "Modern Weekly" and "U+ Weekly". This new title will feature contents from the global issues of "Bloomberg Businessweek", as well as local business and financial contents produced by the Group. We are confident that it will not only further strengthen the Group's obvious leading position in weekly magazine sector of the PRC and become a new growth engine of the Group's print-media business, but also help attract advertising revenues from the finance category and new audiences. Based on the publication platform of the simplified Chinese edition of "Bloomberg Businessweek", the Group might produce more business and finance contents at various media formats in the future, and develop business and finance as another major content production category of the Group, followed by the category of lifestyle.

(ii) Securing new revenue stream from cross-media business

Cross-media is the major trend in the media industry. With a rich content library, the Group is able to leverage on its existing print media business to expand into the TV and digital media business with limited additional cost.

TV Media

We believe that without TV media business, the Group cannot build a competent and diversified cross-media platform. Further, TV media will continue to dominate the advertising market in the near future. Therefore, the Group is determined to launch the "Modern TV", which is a national lifestyle TV network in the coming years. Since the beginning of 2011, the Group has recruited a crew of TV production talents from Taiwan as the core team to form its TV division. It is forecasted that the first batch of TV programs will be finished in April 2011, and be broadcasted in Hangzhou by the mid of 2011. We are still in the discussion for cooperation with more local channels in different cities in order to expand the coverage on our target audiences. The Group is confident that the TV business will bring in more revenue from both advertising and product placement.

iWeekly

In 2011, we will continue to promote the "iWeekly" iPhone and iPad application and attract new users, in order to sustain its leading position. We firmly believe that "iWeekly" will generate additional advertising revenue and profit to the Group in 2011. Meanwhile, we will continue to add new features and functions to the application, increasing its interaction with users and value propositions to users. We may develop new business models through the introduction of new functions to the application. Furthermore, we will closely monitor the technology trend in mobile market. We may launch "iWeekly" in other technical formats, such as Android, Windows Phone etc in the future.

Internet

The Group had launched a lifestyle information website - "Uplus.net" in 2010, as an interactive tool for "U+ Weekly" magazine. Looking forward, we are aiming to develop the website into a lifestyle community hub for metropolitan elites through potential cooperation with or acquisition of relevant websites in the market. In the long run, the Group strategizes the said website as a lifestyle on-line community for metropolitan elites in China to socialize, with comprehensive information on consumption, guidance, information sharing, and e-commerce functions.

Although the earning contribution from the cross-media business is not expected to be significant in the near term, returns in long term will be material. The Directors believe that the abovementioned strategies can lead the Group towards its goal of becoming one of the most respectful and influential integrated media group creating sustainable value for our shareholders not only in China, but also in the region and beyond.

Dividend

Since the Group has to reserve adequate cash resources for the development of TV media and preparation for the launch of the Group's third weekly magazine, the simplified Chinese version of "Bloomberg Businessweek", the Directors do not recommend the payment of a final dividend for the year (2009: HK$Nil).

(C) LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow in operating activities of approximately RMB34.0 million (2009: net outflow of RMB32.2 million), which was largely attributable to the increase in operating profits. The increase in operating profits was mainly resulted from remarkable operating performance of the Group's portfolio of magazines. On the other hand, the Group's cash outflow in investing activities amounted to RMB30.7 million (2009: RMB21.0 million) which was mainly attributable to (a) capital expenditures on leasehold improvements and fixed assets of the new office in Shanghai and Hong Kong, (b) acquisition of mobile magazine namely "iWeekly" and (c) investment in an associated company, Chongqing Yubao Culture Media Co., Ltd. of RMB4.1 million. The Group's cash inflow from financing activities amounted to RMB20.0 million (2009: RMB73.9 million) which included (a) net proceeds from placing of shares to two investment funds of RMB18.7 million, (b) repayment of other loans of approximately RMB6.9 million and (c) net advance from bank loans of RMB5.3 million.

Amounts due from Guangzhou Zhongde

As at 31 December 2010, other receivables included the amounts of RMB13.4 million (2009: RMB17.2 million) due from Guangzhou Zhongde Consultation Company Limited ("Guangzhou Zhongde"). Guangzhou Zhongde was previously owned by Mr. Shao Zhong, the executive director and controlling shareholder of the Company and subsequently disposed to an independent third party in May 2009. The amounts due from Guangzhou Zhongde were, as a result, reclassified to other receivables at 31 December 2009. It was mutually agreed between the Group and Guangzhou Zhongde that the amounts will be settled by bimonthly instalments of approximately RMB600,000 each starting from January 2010. The Group received the settlement of receivables of RMB3.8 million during the year of 2010.

Borrowings and gearing

As at 31 December 2010, the Group's outstanding borrowings was approximately RMB23.0 million. The total borrowings comprised secured bank loans of approximately RMB16.2 million and other unsecured loan of approximately RMB6.8 million. The gearing ratio as at 31 December 2010 was 5.5% (31 December 2009: 7.5%), 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 2010, the total debts of the Group were repayable as follows:

	2010 RMB'000	2009 RMB'000
Within 1 year or on demand	8,301	8,315
After 1 year but within 2 years	1,638	1,544
After 2 years but within 5 years	5,630	5,285
After 5 years	7,381	9,350
	14,649	16,179
	22,950	24,494

SHARE CAPITAL STRUCTURE

As at 31 December 2010, 417,000,000 shares at the nominal value of HK$0.01 each were issued. Details of the movement of share capital of the Company are set out in note 25 to the consolidated financial statements to be uploaded on the website of the Stock Exchange in due course.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save as the corporate guarantee given to banks and our major printing supplier to secure the banking facilities and printing credit line, as at 31 December 2010, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2010, the Group's bank loans of RMB16.2 million were secured by mortgages over the Group's properties in Beijing, the PRC and guarantees from Shanghai Gezhi, a subsidiary of the Group.

As at 31 December 2010, the Group's printing credit line in an amount of approximately HK$20 million was secured by corporate guarantee given by the Company.

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 2010.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2010, the Group had a total of 801 staff (2009: 722 staff), total staff costs (including Directors' remuneration) were approximately RMB133.9 million (2009: RMB97.5 million). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee. The increase in head count was due to the launch of "Numero", acquisition of "iWeekly" and the preparation for the expected launch of TV programs in 2011.

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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). During the year 2010, the Company did not contribute any amount in the Plan and there was a carried forward balance to acquire shares of the Company in the share pool which have not yet been vested and such amount was recorded in the Company's balance sheet. Details of the plan are set out in note 25(c) to the consolidated financial statements to be uploaded on the website of the Stock Exchange in due course.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2010 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 2010 have been agreed by the Company's auditor, 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.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing Rules during the year.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The Audit Committee has three members comprising the three independent non-executive Directors, namely, Mr. Au-Yeung Kwong Wah, 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.

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 for the year ended 31 December 2010.

PUBLICATION OF THE ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The Company's annual report for the year 2010 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, 28 March 2011

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.