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)

(A) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 (B) APPOINTMENT OF NEW INDEPENDENT NON-EXECUTIVE DIRECTOR AND (C) CHANGE IN COMPOSITION OF AUDIT COMMITTEE AND REMUNERATION COMMITTEE

(A) 2011 Annual Results

FINANCIAL HIGHLIGHTS

2011 HK$'000*		**2011 RMB'000**	2010 RMB'000	Variance RMB'000
723,060	**Turnover**	**586,186**	456,255	129,931
74,353	**Profit for the year**	**60,278**	52,752	7,526
HK$0.18**	**Earnings per share (RMB)**	**0.14**	0.13	RMB0.01
681,129	**Total assets**	**552,192**	415,248	136,944

The board of Directors of the Company recommends the payment of final dividend of HK3.5 cents (RMB2.8 cents) (2010: HK$ Nil) per share for the year ended 31 December 2011.

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.2335 to RMB1.

** The amount is rounded to nearest two decimal places.

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 2011 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	4	**586,186**	456,255
Cost of sales		**(251,686)**	(183,056)
Gross profit		**334,500**	273,199
Other revenue		**2,122**	5,459
Other net loss		**(103)**	(978)
Selling and distribution expenses		**(115,038)**	(92,266)
Administrative and other operating expenses		**(131,543)**	(110,084)
Profit from operations		**89,938**	75,330
Finance costs	5(a)	**(2,685)**	(1,176)
Share of (loss)/profit of an associate		**(477)**	405
Share of loss of a jointly controlled entity		**(1,707)**	(3,208)
Profit before taxation	5	**85,069**	71,351
Income tax	6	**(24,791)**	(18,599)
Profit for the year		**60,278**	52,752
Other comprehensive income for the year			
Exchange differences on translation of financial statements of overseas subsidiaries		**(2,361)**	(1,214)
Total comprehensive income for the year		**57,917**	51,538
Profit attributable to equity shareholders		**60,278**	52,752
Total comprehensive income attributable to equity shareholders		**57,917**	51,538
Earnings per share (RMB)	7		
– Basic and diluted		**0.14**	0.13

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 8.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Fixed assets		**108,230**	72,063
Intangible assets		**5,348**	7,031
Goodwill		**12,961**	12,961
Interest in an associate		**4,008**	4,485
Interest in a jointly controlled entity		**1,618**	1,692
Investments		**2,000**	2,000
Deferred tax assets		**5,254**	3,188
		139,419	103,420
Current assets			
Trade receivables	9	**196,684**	153,644
Other receivables, deposits and prepayments		**73,602**	77,571
Deposits and cash		**142,487**	80,613
		412,773	311,828
Current liabilities			
Trade payables	10	**23,915**	23,777
Other payables and accruals		**78,656**	71,642
Amount due to a jointly controlled entity		**2,062**	766
Bank loans		**35,695**	8,301
Taxation payable		**33,671**	29,430
		173,999	133,916
Net current assets		**238,774**	177,912
Total assets less current liabilities		**378,193**	281,332
Non-current liabilities			
Bank loans		**(13,106)**	(14,649)
Deferred tax liabilities		**(612)**	—
		(13,718)	(14,649)
NET ASSETS		**364,475**	266,683
CAPITAL AND RESERVES			
Share capital		**3,848**	3,675
Reserves		**360,627**	263,008
TOTAL EQUITY		**364,475**	266,683

Notes to the Financial Statements

1 CORPORATE INFORMATION

Modern Media Holdings Limited 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, 10th Floor, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and Suite 1101-03, 11th Floor, 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.

2 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

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 (the "Stock Exchange"). A summary of the significant accounting policies adopted by the Group is set out below.

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 2010 except the changes mentioned below.

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

— IAS 24 (revised 2009), *Related party disclosures*

— Improvements to IFRSs (2010)

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

The impact of these developments which are relevant to the Group for the current period are set out as follows:

— IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— *Improvements to IFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures.* The disclosures about the Group's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3 SEGMENT REPORTING

At 31 December 2010, the Group had six reportable segments including:

– Advertising (Shanghai/Beijing/Guangzhou/Shenzhen/Hong Kong), and

– Circulation.

These reportable segments were the Group's strategic business units offering advertising services to its customers based on the geographical locations of the advertising customers and providing circulation of magazines to distributors.

During the year ended 31 December 2011, the Group established two business units for its newly set up operations namely, digital media and television.

As a result of the above, the five advertising reportable segments previously presented on geographical basis are re-grouped and now presented as "Print media advertising" segment to conform to the internal management reporting. The comparative figures have been restated accordingly.

The following describes the operations in each of the Group's reportable segments as at 31 December 2011:

– Print media advertising: this segment engages in the sale of advertising space in the Group's magazines to advertising customers in the PRC and Hong Kong.

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

– Digital media: this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces. Currently, the "iWeekly" is the sole operating platform on this segment, which is a mobile digital media application operated on iPhone and iPad.

– Television: this segment engages in the sales of air-time television advertisements, sales of product placement advertisements within television programs, syndication income from distributing programs to various television channels and production of television programs and commercials.

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.

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 fixed assets, intangible assets and trade receivables arising from each of the reportable segments as the Group's executive management considers that the utilisation of fixed assets and intangible assets and the recoverability of trade receivables have significant impact to the Group's actual performance, liquidity and credit risk. No segment liabilities analysis is presented as the Group monitors and manages its liabilities on a group basis.

Segment assets previously only included trade receivables of each reportable segment as the utilisation of fixed assets and intangible assets were previously monitored on a group basis. With effect from 1 January 2011, fixed assets and intangible assets are grouped to each reportable segment to conform with the internal management reporting. The comparative figures have been restated accordingly.

(a) Segment results and assets (Continued)

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 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 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 2011 and 2010 is set out below:

	Year ended 31 December 2011				
	Print media advertising RMB'000	**Digital media RMB'000**	**Television RMB'000**	**Circulation RMB'000**	**Total RMB'000**
Reportable segment revenue derived from the Group's external customers	**577,995**	**15,305**	**2,667**	**21,753**	**617,720**
Reportable segment profit/(loss)	**179,508**	**7,984**	**(15,043)**	**(87,444)**	**85,005**
Interest income	**168**	**—**	**—**	**2**	**170**
Interest expense	**(1,339)**	**—**	**—**	**—**	**(1,339)**
Depreciation for the year	**(12,853)**	**(95)**	**(1,178)**	**(82)**	**(14,208)**
Amortisation for the year	**(509)**	**(1,200)**	**—**	**—**	**(1,709)**
Reportable segment assets	**269,358**	**11,389**	**10,249**	**12,266**	**303,262**

	Year ended 31 December 2010 (restated)				
	Print media advertising RMB'000	Digital media RMB'000	Television RMB'000	Circulation RMB'000	Total RMB'000
Reportable segment revenue derived from the group's external customers	450,963	540	—	18,271	469,774
Reportable segment profit/(loss)	135,831	481	—	(72,520)	63,792
Interest income	75	—	—	1	76
Interest expense	(1,106)	—	—	—	(1,106)
Depreciation for the year	(11,588)	—	—	(30)	(11,618)
Amortisation for the year	(582)	(52)	—	—	(634)
Reportable segment assets	206,469	4,314	—	11,317	222,100

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

	2011 RMB'000	2010 RMB'000
Revenue		
Reportable segment revenue derived from the Group's external customers	**617,720**	469,774
Other income	**23,130**	27,944
Less: Sales taxes and other surcharges	**(54,664)**	(41,463)
Consolidated turnover	**586,186**	456,255
Profit		
Reportable segment profit derived from the Group's external customers	**85,005**	63,792
Other income	**23,130**	27,944
Share of (loss)/profit of an associate	**(477)**	405
Impairment loss on interest in a jointly controlled entity	**(817)**	—
Share of loss of a jointly controlled entity	**(1,707)**	(3,208)
Unallocated head office and corporate expense (note)	**(20,065)**	(17,582)
Consolidated profit before taxation	**85,069**	71,351

Note: Depreciation of RMB1,183,000 is included in unallocated head office and corporate expense for the year ended 31 December 2011 (2010: RMB601,000).

Interest income of RMB119,000 is included in unallocated head office and corporate expense for the year ended 31 December 2011 (2010: RMB10,000).

Interest expenses of RMB133,000 is included in unallocated head office and corporate expenses for the year ended 31 December 2011 (2010: RMB70,000).

	2011 RMB'000	2010 RMB'000 (restated)
Assets		
Reportable segment assets	**303,262**	222,100
Corporate and unallocated assets	**7,000**	10,638
Goodwill	**12,961**	12,961
Interest in an associate	**4,008**	4,485
Interest in a jointly controlled entity	**1,618**	1,692
Investments	**2,000**	2,000
Deferred tax assets	**5,254**	3,188
Other receivables, deposits and prepayments	**73,602**	77,571
Deposits and cash	**142,487**	80,613
Consolidated total assets	**552,192**	415,248

(c) Geographic information

The following table sets out information about the geographical location of the Group's 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 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 interests in an associate and a jointly controlled entity.

	2011 RMB'000	2010 RMB'000
The PRC (place of domicile)	**124,789**	95,097
Hong Kong	**8,633**	4,215
Taiwan	**743**	920
	134,165	100,232

(d) Major customers

The Group's customer base includes one customer (2010: one customer) with whom transactions have exceeded 10% of the Group's revenues. During the years ended 31 December 2011 and 2010, advertising income from these customers amounted to RMB90,107,000 and RMB51,532,000 respectively and arose mainly in print media advertising reportable segment.

4 TURNOVER

The Group is principally engaged in the provision of multimedia 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.

	2011 RMB'000	2010 RMB'000
Advertising income	**593,503**	451,503
Circulation income	**21,753**	18,271
TV production, sponsorship, event and service income	**25,594**	27,944
	640,850	497,718
Less: Sales taxes and other surcharges	**(54,664)**	(41,463)
	586,186	456,255

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

		2011 RMB'000	2010 RMB'000
(a)	Finance costs		
	Interest charged on:		
	– Bank loans repayable within 5 years	**312**	70
	– Bank loans repayable after 5 years	**1,160**	1,106
		1,472	1,176
	Fair value change on re-measurement of contingent consideration arising from the acquisition of iWeekly	**1,213**	—
		2,685	1,176
(b)	Staff costs		
	Salaries, wages and other benefits	**141,814**	115,218
	Share-based payments expenses	**—**	126
	Contributions to defined contribution retirement plan	**25,616**	18,508
		167,430	133,852
	Staff costs included in:		
	– Cost of sales	**70,371**	52,562
	– Selling and distribution expenses	**49,723**	43,798
	– Administrative and other operating expenses	**47,336**	37,492
		167,430	133,852
(c)	Other items		
	Depreciation of fixed assets	**15,391**	12,219
	Amortisation of intangible assets	**1,709**	634
	Auditors' remuneration	**1,959**	1,754
	Operating lease charges in respect of properties	**19,233**	16,293
	Impairment losses on trade receivables recognised, net	**1,168**	686
	Impairment losses on investment in a jointly controlled enrtity	**817**	—

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Taxation in the consolidated statement of comprehensive income represents:

	2011	2010
	RMB'000	RMB'000
Current tax – PRC Corporate Income Tax		
Provision for the year	**25,052**	20,362
Withholding tax (note (v))	**2,000**	—
(Over-)/under-provision in respect of prior years	**(581)**	450
	26,471	20,812
Current tax – Hong Kong Profits Tax		
Provision for the year	**—**	—
Over-provision in respect of prior years	**—**	(1,077)
	—	(1,077)
Deferred tax		
Origination and reversal of temporary differences	**(1,680)**	(1,136)
	24,791	18,599

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 2011 and 2010 are calculated at 16.5% of the estimated assessable profits for the respective years. No provision has been made for Hong Kong Profits Tax as the tax losses brought forward from previous years exceed the estimated assessable profits for the year.

(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.

(iv) No tax attributable to associate and jointly controlled entity for the years ended 31 December 2011 and 2010 are included in the share of results of associate and jointly controlled entity respectively.

(v) As at 31 December 2011. the Group made a provision of RMB2 million (2010: RMBNil) for withholding income tax on dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd., a subsidiary of the Group in the PRC.

7 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB60,278,000 (2010: RMB52,752,000) and the weighted average number of ordinary shares in issue after adjusting for shares held for the Share Award Scheme and placing of shares of 424,708,000 (2010: 400,405,000) calculated as follows.

	2011	2010
	’000	’000
Issued ordinary shares at 1 January	**417,000**	400,000
Effect of shares held for the Share Award Scheme	**(5,259)**	(3,973)
Effect of share placement	**12,967**	4,378
Weighted average number of ordinary shares	**424,708**	400,405

There were no dilutive potential ordinary shares during the years ended 31 December 2011 and 31 December 2010.

8 DIVIDENDS

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2011	2010
	RMB’000	RMB’000
Final dividend proposed after the end of the reporting period of HK3.5 cents (equivalent to RMB2.8 cents) per ordinary share (2010: HK$Nil)	**12,424**	—

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) There were no dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

9 TRADE RECEIVABLES

The Group normally allows a credit period ranging from 30 to 180 days to its advertising and circulation customers (with a certain limited number of customers granted a credit period of 270 days).

	2011	2010
	RMB’000	RMB’000
Trade receivables	**198,538**	154,330
Less: Allowance for doubtful debts	**(1,854)**	(686)
	196,684	153,644

9 TRADE RECEIVABLES (Continued)

(a) Ageing analysis

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

	2011	2010
	RMB'000	RMB'000
Within 30 days	**72,320**	67,053
31 days to 90 days	**75,264**	54,826
91 days to 180 days	**37,515**	28,677
More than 180 days	**13,439**	3,774
	198,538	154,330
Less: Allowance for doubtful debts	**(1,854)**	(686)
	196,684	153,644

All of the trade receivables are expected to be recovered within one year.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2011	2010
	RMB'000	RMB'000
At 1 January	**686**	—
Impairment loss recognised	**1,203**	686
Uncollectible amounts written off	**(35)**	—
At 31 December	**1,854**	686

At 31 December 2011 and 31 December 2010, the Group's trade receivables of RMB1,303,000 and RMB686,000 were individually determined to be impaired respectively. The individually impaired receivables related to customers which management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**133,214**	112,645
Less than 1 month past due	**29,981**	19,636
1 to 3 months past due	**18,688**	15,609
Over 3 months past due	**14,801**	5,754
	63,470	40,999
	196,684	153,644

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

10 TRADE PAYABLES

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

	2011	2010
	RMB'000	RMB'000
Within 30 days	13,557	6,196
31 days to 90 days	10,358	10,318
91 days to 180 days	—	7,040
More than 180 days	—	223
	23,915	23,777

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

11 CONTINGENT LIABILITIES

At 31 December 2011, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank loans and credit facilities of up to RMB14,694,000 (2010: RMB16,180,000). 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 (2010: RMBNil).

At 31 December 2011 and 2010, the Directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

At 31 December 2011 and 2010, the Group had no other material contingent liabilities.

12 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) In February 2012, the Group entered into an agreement with an independent third party to acquire 20% equity interests in a company specialised in providing leading digital publishing solutions for mobile devices for a consideration of JPY45,000,000 (equivalent to approximately RMB3,175,000).

(b) In February 2012, the Group completed the acquisition of 100% equity interests in 上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.) and 廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited) from Mr Shao Zhong, the Director and controlling shareholder of the Company for an aggregate consideration of RMB18,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

In 2011, the Group continued its momentum in both financial performance and business development. Although the prolonged debt crisis in the Euro Zone and the slow recovery of the US economy have made the world apprehensive about the possibility of another recession, the economic climate in the People's Republic of China ("PRC") remained favorable during 2011, and this was reflected by the satisfactory full-year results of the Group's operations. The Group's core print media advertising business continued on a healthy growth path, while its mobile digital media and TV business performed satisfactorily in 2011. For 2011, the Group's turnover amounted to approximately RMB586.2 million (2010: RMB456.3 million), which represented a sharp increase of 28.5% compared with that for year 2010. This is attributable to the stable performance of the Group's leading media products, as well as a generally healthy advertising market in the PRC. The Group's two flagship magazines, the "Modern Weekly" and "U+ Weekly" recorded beyond-industry-average growth, while a third weekly magazine, the "Bloomberg Businessweek/China" was launched by the end of 2011. Revenue of the "iWeekly", the Group's first mobile application, exceeded RMB15 million in its first full-year operation during 2011. Although being affected by the launch of new projects, such as "Bloomberg Businessweek/China", and TV programs, the Group recorded a net profit amounting to approximately RMB60.3 million for the year 2011 (2010: RMB52.8 million), which represented a significant growth of 14.3% as compared with the year 2010. The directors are satisfied with the financial performance and the strategic milestones achieved by the Group.

(A) BUSINESS REVIEW

2011 was a fruitful and critical year for the Group. The Group made its debut in and extended its footprints to the multi-media arena from print media. Strategically, the Group organised its business into three business units, namely print media, mobile digital media, and television. During 2011, additional revenues and new entities were recorded and created in these new business units, while print media continued its strong growth.

(i) Print Media

Print media, more precisely magazine publication, has been the Group's core business by far. The Group is one of the leading media groups in the PRC and Hong Kong, operating two national weekly, one national bi-weekly, two local weekly, seven monthly magazines in the PRC, and one monthly magazine in Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health etc. Revenues of print media were mainly attributable to advertising and circulation revenues. The Group achieved strong and beyond expectation performance in both aspects.

(1) Advertising

In 2011, the PRC's real gross domestic product grew by 9.2% and its economy out-performed most countries in the world. Even so, concerns have been steadily growing about the likely impact of the accelerating inflation and sluggish property market. However, the negative factors did not create any material impact on the advertising market, both ZenithOptimedia and CTR Market Research Co., Ltd estimated that the advertising market remained robust in 2011, having continued its momentum to record about 4.5% year-on-year increase when compared with that of 2010. During 2011, advertising revenue of the Group was approximately RMB578.0 million (2010: RMB451.0 million), representing a sharp increase of approximately 28.2% on a yearly basis, and outperforming the market average.

"Modern Weekly", being the Group's flagship weekly magazine, maintained its leading position in the market. It kept on with its strong growth during the year and achieved excellent results. According to the surveys by Admango Limited, "Modern Weekly" continuously ranked No. 1 in the advertising revenue within the category of lifestyle weekly magazines in the PRC. In the year 2011, "Modern Weekly" enjoyed a buoyant advertising environment and achieved a 15.6% increase in its advertising revenue when compared with that of last year. The significant increment in revenue, coupled with effective control on the printing and other operating costs, led to a remarkable increase in operating profits for "Modern Weekly". Furthermore, "Modern Weekly" also achieved new progress in international cooperation. On top of the "Turning Point" annual special jointly published with the New York Times, "Modern Weekly" entered into another licensing cooperation deal with The Economist during year 2011. Since November. 2011, "Modern Weekly" has been publishing subject matter articles of The Economist in its "Business" section. In 2012, "Modern Weekly" will publish quarterly special reports licensed from The Economist. These international cooperation projects will further enhance the content quality of the magazine and eventually leads to greater commercial value of its advertising spaces.

"U+ Weekly", being one of the most popular women's lifestyle weekly magazines in the PRC, continued to perform well in last year. Its advertising revenue recorded 50.6% year-on-year growth when compared with that of 2010. According to market survey published by Beijing Kai Yuan Circulation Research Company, "U+ Weekly" has been ranked No. 1 in circulation among all women lifestyle magazines in the PRC for 11 consecutive quarters since its launch. In the fourth quarter of 2011, "U+ Weekly", partnered with the International Tribute Herald, launched a series of marketing campaigns, namely the "Selection of U+ Family" over 12 cities in the PRC. The series of marketing events attracted widespread attention and received positive feedbacks from many readers.

In November 2011, the Group launched the Chinese (simplified Characters) edition of "Bloomberg Businessweek", which was one of the most renowned and popular business magazines in the world. The launch of "Bloomberg Businessweek/China" bi-weekly magazine was the most important print media project of the Group in the year, because it helped sharpen the Group's competitive edge in the fast-growing business publishing segment. Supported by a grand marketing campaign, the new magazine received positive responses from both advertisers and readers. Both advertising and circulation revenues of the first few issues exceeded the expectations of the management. The Directors are expecting that this new magazine title will become a new profit engine of the print media business, following the "Modern Weekly" and "U+ Weekly".

Among other monthly magazines operated by the Group in the PRC and Hong Kong, the advertising revenues were greatly increased when compared with that of last year. Such portfolio of magazines is important for the Group's marketing strategy for attracting the segmented readers and advertisers.

The Group cooperated with some local partners to issue two local weekly lifestyle magazines in Hangzhou and Chongqing. Both magazines pressed forward with improvement in their operating performance during the year under review. Those publications were successful in arousing the readers' attention and attained a moderate growth in advertising revenue in these two cities. In the coming year, the management will continue to review the cost structure and fine-tune the editorial content in order to achieve an optimal operating result.

(2) Circulation

The circulation revenue in 2011 achieved a year-on-year growth of approximately 19.1%. The Directors attribute the growth to three major factors. Firstly, the Group's magazine portfolio was expanded continuously during 2011. New magazines, namely "Bloomberg Businessweek/China" and "Chutzpah!" were launched in 2011. Secondly, the Group managed to raise the retail cover price of U+ Weekly from RMB 3 to RMB 5 while sustaining the distribution volume. Finally, with the emerging middle-class population in the "Tier 2" cities, the Group continuously expanded its distribution network and increased the circulation volume in more PRC cities. Strong circulation growth again proved the Group's leading position in magazine publication industry.

(ii) Mobile Digital Media

Mobile digital media is a potential star of the Group's business. Following the prevalence of mobile devices, the Group's mobile digital media business unit became a pioneer in the industry. During 2011, the Group's mobile digital media business has made satisfactory achievements in terms of operating results, product development, and resources development.

In 2010, the Group acquired a Chinese media application, "iWeekly", which was the most popular Chinese media application at the time. During the year, "iWeekly" continuously attracted new users. The number of users reached over four million by the end of 2011, remained No. 1 position among all Chinese media applications. The popularity of "iWeekly" among users also aroused the interest of advertisers to experience this new channel of market promotions. The advertising revenue of "iWeekly" in

2011 reached RMB15.3 million (2010: RMB0.5 million), and became one of the market leaders among all Chinese media applications in "iPhone" and "iPad". Besides financial achievements, "iWeekly" also undergone major technical upgrades during 2011. For instance, new version of "iWeekly" adopting the recently released iOS 5 system was published. Video features were added into the product. With continuous upgrading in contents and user experiences, the Directors are optimistic that "iWeekly" will sustain its leading position and achieve significant advertising revenue growth in the coming year.

Following the success of "iWeekly", the second application of the business unit, the "iWeekly Calendar", was launched in December 2011. Within four weeks since its launch, the new application had been downloaded by more than 100,000 users. As soon as iWeekly Calendar was announced, the application earned an enthusiastic official recommendation from the App Store. The application provides users with a globe-spanning field of vision and uninterrupted, year-round desktop scenery. iWeekly Calendar also offers convenient desk-calendar and agenda functions, as well as multiple viewing modes, daily horoscopes, private notes, memoranda, and other features optimally configured to assist users in effectively arranging their affairs. The application's diverse features greatly increase its open rate and usage time. This application has provided the Group with a strong and stable new media advertising platform and is projected to yield increasing opportunities for advertising revenue.

In February 2012, the Group acquired 20% shareholding of Rakuraku Technologies Inc. ("RTI") for a consideration of JPY 45,000,000. RTI is a Japanese company which specialized in providing leading digital publishing solutions for mobile devices. The technical team of Rakuraku is well-experienced in developing several successful applications which were elected as one of the "top seller" and "most popular" in " iTunes Rewind 2009". The directors firmly believe the strategic shareholding in RTI will further consolidate the Group's technical strength and access to world-class technology and vast expertise in mobile applications.

(iii) Television

Content is always the king for a media company. The recent rise of video content prices speculated by the video websites has once again proven this golden rule.

As one of the comprehensive media groups, it is crucial for the Group to develop its own competence in producing video contents. The Group had accomplished the first step in establishing the competence during 2011 with the objectives of creating video digital platform and as well as the TV program syndication network. Preparing for over 10 months, five programs of Modern TV were launched at the end of May 2011. During 2011, self-produced, high quality lifestyle TV programs were broadcasted in regional TV channels, such as Hangzhou, Wenzhou, Fujian. etc. The lifestyle programs were also broadcasted at "iWeekly" -iTV application , YouKu, a Web TV, etc that arose enormous awareness and well received by elite audiences.

Furthermore, famous TV stations HKTVB and TVB International have also purchased our lifestyle programs and broadcast in Hong Kong, Singapore, Malaysia, Australia and Europe. This is a further proof that our programs are of high quality and well accepted by International TV stations.

However, due to the fact that the traditional positioning of TV media as a mass media viewed by the advertisers while our high quality TV program are targeting to elite groups, we found difficult to convince advertisers to support the TV syndication platform at this stage after seven months trial. As a result, high production cost caused losses from the TV business unit and led to dilution in the Group's overall operating profit.

In 2012, we re-define our Television strategies to broadcasting mainly at elite media platforms such as iWeekly App (iTV),and web TV including YouKu, QiYi and PPTV together with In-flight Video (business and economy class) in order to capture elite groups and attract middle to high-end advertisers. We will continue to improve the financial performance of this business unit through the optimization of production cost, operating costs and stop producing programs with low commercial value. Simultaneously, the team will also focus on generating revenue from different digital media applications and special creative program production that is tailor-made for our advertisers.

The Directors are confident that the TV business is likely to break-even or even turn profitable in the coming years.

(B) BUSINESS OUTLOOK

(i) Steady and sustainable growth of print media

The outlook for the global economy in 2012 is clear, but it is not pretty: possible recession in Europe, minimal growth at best in the United States, a slowdown in China and in most emerging-market economies. At this point, a euro-zone recession is uncertain but it is imminent. While its impact cannot be predicted, a continuous credit crunch, sovereign-debt problems and fiscal austerity imply a serious downturn over the European countries. The Directors are glad that the Group's operation mainly stay in the PRC where it will act as the world's economic locomotive with a forecasted GDP growth of 8.3% in 2012. Further, the GDP growth model of the PRC will change from export-driven to domestic consumption-driven. Particularly, the rise of wealthy middle class in the urban cities will promote a lifestyle of consumerism of luxury and branded goods. Thus, the Directors believe that the Group's media platform will be largely benefited from this trend, and are cautiously optimistic about the Group's core print media business. It is expected that with its unshakeable market leading positions, "Modern Weekly" shall sustain above-average growth in the advertising revenue, and further improve its profit margin as a mature magazine title. Meanwhile, "U+ Weekly" and "Bloomberg Businessweek/China" will maintain their fast growth momentum since they are still in the early stages of their product life-cycle. These three weekly magazines will become the backbones to lead the future business growth of the Group's print media business. Meanwhile, the Group will take appropriate measures to improve the profitability in print media, including initiatives to rationale the magazine portfolio, and to control operating costs etc.

(ii) Building a leading mobile media platform

The Directors firmly believe that mobile technology is a new wave of technology revolution changing the lifestyles of people. As declared by Chuck Martin, a famous business and technology strategist, the future of marketing competition locks up at the "3rd Screen", which is the screen of mobile device, while he defined TV as the "1st Screen" and PC as the "2nd Screen". Actively responding to the market trends, the Group has set mobile media as its first priority for future business strategies. Following the success of "iWeekly", the Group is aiming to expand the mobile digital media business from coupling of stand-alone application products into an integrated platform, providing information, service, and on-line retail for both readers and advertisers. In order to achieve the goal, the Group will focus on developing four core competence, namely technology, content, client, video, in the future. Firstly, it will utilize the strategic shareholding in the Rakuraku Technology Inc. ("RTI") to develop mobile application technical centres in both China and Japan. The technical centres will be responsible for developing new application products, as well as consistently upgrading existing products, delivering state-of-the-art reading experience to users. Secondly, besides leveraging on the Group's print media contents, the Group is planning to explore more content cooperation from third party sources both internationally and domestically. By doing so, internal competition between print and mobile digital media may be reduced. Meanwhile, broader content sources could allow the Group to launch new application products with new subjects from its print media titles. Thirdly, other than merely offering advertising space to advertisers, the Group is going to participate in more roles on the retail value-chain of its advertising clients, including promotion, shopping guidance, eCommerce, post-sales service etc. Finally, videoized contents are crucial to attract readers in mobile devices. The Group will leverage on its video production capabilities of the Group's TV division in producing short-films to enhance attractiveness of both our on-line contents and the promotional contents of its advertisers. Supported by these competences, series of new applications products are planned to be launched in 2012, including an on-line newsstand for subscription reading, a financial news application etc. More applications with various subjects are proposed for the following years. Meanwhile, the Group has planned a major overhaul of the design and features of "iWeekly". More advertising space and consumption-driven functions will be created in the next version of "iWeekly". Expanded family of application products and improved product design are expected to drive a significant growth in the revenue of this business unit in 2012. Although the absolute number of mobile digital media is still small currently while comparing to that of the print media, the business is expected to grow rapidly in the future years along with explosive market expansion. The directors have the confidence that in the near future, mobile digital media will contribute an important share to the Group's total revenue and profit.

Investment in online search services held by Mr. Shao Zhong

As at 31 December 2011, Mr. Shao Zhong ("**Mr. Shao**"), an executive Director and the controlling Shareholder, held about 20% equity interest in a company ("**Online Search Company**") incorporated in Beijing, the PRC. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents, generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investment in the said business before the Group's commencement of the Mobile Digital Media Business.

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

(C) FINAL DIVIDEND

The Directors proposed to declare a final dividend of HK3.5 cents (2010: HK$Nil) per share, amounting to HK$15.3 million . Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed dividend will be payable to shareholders whose names appear on the Register of Members of the Company on 5 June 2012 and payable on 26 June 2012. This proposal is subject to shareholders' approval at the forthcoming annual general meeting to be held.

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on Monday, 28 May 2012. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 24 May 2012 to Monday, 28 May 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 23 May 2012.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 5 June 2012. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 1 June 2012 to Tuesday, 5 June 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars in Hong Kong, Tricor Investor Services Limited, for registration not later than 4:30 p.m. on Thursday, 31 May 2012. The payment of final dividend will be made on Tuesday, 26 June 2012.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow in operating activities of approximately RMB56.5 million (2010: RMB34.0 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 RMB58.4 million (2010: RMB30.7 million) which was mainly attributable to (a) capital expenditures on leasehold improvements and purchase of fixed assets in Guangzhou and Shanghai offices, (b) partial payment for the acquisition of a mobile magazine (namely "iWeekly") and (c) capital injection in to a jointly controlled entity in Hangzhou. The Group's cash inflow from financing activities amounted to RMB64.5 million (2010: RMB20.0 million) which included (a) net proceeds from placing of shares to three renowned investors of RMB42.4 million and (b) net advance from bank loans of RMB26.1 million.

Amounts due from Guangzhou Zhongde

As at 31 December 2011, other receivables included the amounts of RMB9.7 million (2010: RMB13.4 million) due from Guangzhou Zhongde Consultation Company Limited ("Guangzhou Zhongde"). Guangzhou Zhongde was previously owned by Mr. Shao Zhong, an 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 net settlement of receivables of RMB3.7 million during the year of 2011.

Borrowings and gearing

As at 31 December 2011, the Group's outstanding borrowings was approximately RMB48.8 million (2010: RMB22.9 million). The total borrowings comprised secured bank loans of approximately RMB34.7 million (2010: RMB16.2 million) and other unsecured bank loan of approximately RMB14.1 million (2010: RMB6.8 million). Unsecured bank loan of RMB6.0 million and secured bank loan of RMB20.0 million were guaranteed by Mr. Shao. The gearing ratio as at 31 December 2011 was 8.8% (31 December 2010: 5.5%), 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 2011, the total debts of the Group were repayable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year or on demand	**35,695**	8,301
After 1 year but within 2 years	**1,715**	1,638
After 2 years but within 5 years	**6,020**	5,630
After 5 years	**5,371**	7,381
	13,106	14,649
	48,801	22,950

SHARE CAPITAL STRUCTURE

As at 31 December 2011, 437,850,000 shares at the nominal value of HK$0.01 each were in issue. Details of the movement of share capital of the Company are set out in note 26 to the consolidated financial statements to be uploaded on the websites of the Stock Exchange and the Company in due course.

CAPITAL EXPENDITURE

Capital expenditures of the Group for the year include expenditures on fixed assets of approximately RMB52.2 million (2010: RMB15.3 million). Major expenditure included the purchase of building held for own use, furniture, fixtures and equipments for the digital media and television segments.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing supplier to secure the banking facilities and printing credit line, as at 31 December 2011, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2011, the Group's bank loans of RMB14.7 million and RMB20.0 million were secured by mortgages over the Group's properties in Beijing, the PRC, guarantees from Shanghai Gezhi, a subsidiary of the Group and certain trade receivables of the Group with an aggregate carrying value of RMB20 million respectively.

As at 31 December 2011, the Group's printing credit line in an amount of approximately HK$26 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 2011.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2011, the Group had a total of 973 staff (2010: 801 staff), total staff costs (including Directors' remuneration) were approximately RMB167.4 million (2010: RMB133.9 million). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee. The increase in head counts was due to the launch of "Bloomberg Businessweek" and "Chutzpah!" and the increase of headcounts for the 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 adopted 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 2011, the Company did not contribute any amount to 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 websites of the Stock Exchange and the Company in due course.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company.

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2011 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

During the year ended 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on the Stock Exchange a total of 1,600,000 shares of the Company at a total consideration of about HK$3,018,000.

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. For the year ended 31 December 2011, the Company complied with the code provisions set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the year.

Proposed investment to be made with United Achievement Limited

By an announcement dated 24 June 2011, the Company announced that the Group entered into two framework agreements with United Achievement Limited in relation to the proposed establishment of certain joint ventures to engage in digital media publishing and distribution business and e-commerce business respectively. As at 31 December 2011, the Group was still in discussion with United Achievement Limited and no definitive agreements were entered into. The Company is still considering the terms then under negotiation and is willing to form such joint ventures, subject to mutually acceptable terms being agreed and finalised. The Company will make further announcement on such matter where the circumstances so justify.

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 to 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. Mr. Mao Xiaofeng has also been appointed as a member of the Audit Committee on 29 February 2012, please refer to the below for further details.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has also discussed the year end closing and internal audit process, internal control and financial reporting matters for the year ended 31 December 2011 with management, the internal auditor and the external auditor. The Audit Committee has also reviewed the annual results for the year ended 31 December 2011.

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 Issuers 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 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 2011.

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

The Company's annual report for the year 2011 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.

(B) APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT COMMITTEE AND MEMBER OF THE REMUNERATION COMMITTEE

The Board is pleased to announce that Mr. Mao Xiaofeng ("**Mr. Mao**") has been appointed as an independent non-executive Director, chairman of the remuneration committee and member of the audit committee of the Company with effect from 29 February 2012.

Mr. Mao, aged 39, holds a Master Degree in Industrial and Foreign Trade from Hunan University, a Doctorate Degree in Management from Hunan University, and a Master Degree in Public Administration from the John F. Kennedy School of Government at Harvard University in the United States of America. Currently, he is a Vice President of China Minsheng Banking Corp., Ltd. ("**Minsheng Bank**"). Mr. Mao has also been the secretary to the board of directors of Minsheng Bank and one of the Joint Company Secretaries of Minsheng Bank since June 2003 and March 2004 respectively.

Mr. Mao was appointed an independent non-executive Director for a term of two years with effect from 29 February 2012 and is subject to retirement by rotation and re-election at general meetings in accordance with the articles of association of the Company. He will be entitled to receive an annual director fee of RMB132,000, which is determined by the Board in accordance with the emolument policy as recommended by the Remuneration Committee of the Board of the Company.

Each of the Group and Mr. Shao Zhong ("**Mr. Shao**", the controlling shareholder and a Director) has cash deposit with the branches and/or subsidiaries of Minsheng Bank (collectively, the "**Minsheng Bank Group**"), and also has borrowing relationship with the Minsheng Bank Group, which is the usual banking business of the Minsheng Bank Group. The member of the Minsheng Bank Group which handles such deposit and borrowing relationship and liaises with Mr. Shao and the Group is a branch of the Minsheng Bank in Shanghai ("**Shanghai Minsheng**"). The credit committee of Shanghai Minsheng is also the main authority to consider, review and approve the lending of money to the Group and Mr. Shao. Mr. Mao, as a vice-president of Minsheng Bank at headquarters level, might sometimes be involved in reviewing the lending to the Group and Mr. Shao, but is not involved in the final decision-making for the grant of loan to the Group or Mr. Shao. Mr. Mao has not had, nor is he expected to have in the future, any personal benefit arising from or in connection with the said deposit and/or lending-borrowing relationship.

Based on the confirmation given by Mr. Mao, and to the best knowledge of the Directors after making all reasonable enquiries, and having regard to the above circumstances, the Board is of the view that there is no factors which may affect Mr. Mao's independence to become an independent non-executive Director for purpose of compliance with Rule 3.13 of the Listing Rules. Mr. Mao has not held any other position in the Company or its subsidiaries; nor directorship in other listed companies in the past three years. Save as disclosed above, Mr. Mao does not have any relationship with any directors, senior management, substantial or controlling shareholders of the Company. As at the date of this announcement, Mr. Mao does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed above, there is no other information required to be disclosed in relation to the appointment of Mr. Mao pursuant to any of the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of holders of securities of the Company.

The Directors would like to take this opportunity to welcome Mr. Mao for joining the Company.

(C) CHANGES IN THE COMPOSITION OF REMUNERATION COMMITTEE AND AUDIT COMMITTEE

Under the the requirements under Rule 3.25 of the Listing Rules which will come into effect on 1 April 2012, the remuneration committee has to be chaired by an independent non-executive Director. In such connection, with effect from 29 February 2012, Mr. Mao Xiao Feng has been appointed to become the chairman of the Remuneration Committee of the Company, and Mr. Wong Shing Fat (being an executive Director and the current Chairman of the Remuneration Committee), ceased to be the Chairman of the Remuneration Committee. However, Mr. Wong will continue to be a member of the Remuneration Committee. Immediately after the above changes, the Remuneration Committee comprises four members: Messrs Mao Xiaofeng (as Chairman), Wong Shing Fat, Jiang Nanchun and Au-Yeung Kwong Wah.

Mr. Mao has also been appointed as a new member of the Audit Committee with effect from 29 February 2012. Accordingly, immediately after such appointment, the Audit Committee comprises four members: Messrs Au-Yeung Kwong Wah (as Chairman), Wang Shi, Jiang Nanchun and Mao Xiaofeng.

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

Hong Kong, 29 Feburary 2012

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, Mr. Au-Yeung Kwong Wah and Mr. Mao Xiaofeng (whose appointment took effect upon conclusion of the Board meeting which approved this announcement).