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

(incorporated in the Cayman Islands with limited liability)

(stock code: 72)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2012 *HK$'000** *(Unaudited)*	**Six months ended 30 June 2012** *RMB'000* *(Unaudited)*	**Six months ended 30 June 2011** *RMB'000* *(Unaudited)*
Turnover	361,534	294,721	235,485
Profit for the period	18,059	14,722	13,655
Earnings per share	HK$0.042	RMB0.034	RMB0.033

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.2267 to RMB1.

The Board did not recommend the payment of interim dividend for the above period.

The board ("Board") of directors ("Directors") of Modern Media Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2012 (the "Interim Period") together with comparative figures for the corresponding period in 2011, as follows:

Consolidated statement of comprehensive income
for the six months ended 30 June 2012 - unaudited
(Expressed in Renminbi)

	Note	**Six months ended 30 June 2012** *RMB'000* **(Unaudited)**	2011 *RMB'000* (Unaudited)
Turnover	3, 4	294,721	235,485
Cost of sales		(131,644)	(108,095)
Gross profit		163,077	127,390
Other revenue		1,150	1,911
Other net income/(loss)		62	(269)
Selling and distribution expenses		(70,282)	(50,805)
Administrative and other operating expenses		(71,004)	(55,628)
Profit from operations		23,003	22,599
Finance costs	5(a)	(1,713)	(732)
Share of profit/(loss) of associates		363	(535)
Share of profit/(loss) of a jointly controlled entity		207	(759)
Profit before taxation	5	21,860	20,573
Income tax	6	(7,138)	(6,918)
Profit for the period		14,722	13,655
Other comprehensive income for the period			
Exchange differences on translation of financial statements of overseas subsidiaries		296	(471)
Total comprehensive income for the period		15,018	13,184
Profit attributable to equity shareholders		14,722	13,655
Total comprehensive income attributable to equity shareholders		15,018	13,184
Earnings per share (RMB)	7		
Basic and diluted		0.034	0.033

Consolidated statement of financial position
at 30 June 2012 - unaudited
(Expressed in Renminbi)

	Note	**30 June 2012** ***RMB'000*** **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Non-current assets			
Fixed assets	8	112,021	108,230
Intangible assets	9	14,951	5,348
Goodwill	10	28,203	12,961
Interests in associates	11	7,855	4,008
Interest in a jointly controlled entity		1,825	1,618
Investments		2,000	2,000
Deferred tax assets		3,590	5,254
		170,445	139,419
Current assets			
Trade receivables	12	200,467	196,684
Other receivables, deposits and prepayments		76,974	73,602
Amount due from a jointly controlled entity		398	—
Deposits and cash		73,930	142,487
		351,769	412,773
Current liabilities			
Trade payables	13	22,239	23,915
Other payables and accruals		65,260	78,656
Amount due to a jointly controlled entity		—	2,062
Bank loans		35,803	35,695
Taxation payable		17,980	33,671
		141,282	173,999
Net current assets		210,487	238,774
Total assets less current liabilities		380,932	378,193
Non-current liabilities			
Bank loans		(12,264)	(13,106)
Deferred tax liabilities		(615)	(612)
NET ASSETS		368,053	364,475
CAPITAL AND RESERVES	14		
Share capital		3,848	3,848
Reserves		364,205	360,627
TOTAL EQUITY		368,053	364,475

Notes to the unaudited interim financial report

(Expressed in Renminbi)

1 Corporate information and basis of preparation

(a) Corporate information

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., 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.

(b) Basis of preparation

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

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2011 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2012 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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

This interim financial report contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

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

The financial information relating to the financial year ended 31 December 2011 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2011 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 February 2012.

2 Changes in accounting policies

The IASB has issued a few amendments to IFRS that are first effective for the current accounting period of the Group and the Company. These include the amendments to IFRS 7, "Financial instruments: Disclosures – Transfers of financial assets".

The amendments to IFRS 7 concerning transfers of financial assets require certain disclosures to be included in the annual financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred.

None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Segment reporting

The Group has four reportable segments as described below, which are the Group's strategic business units. 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:

— 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.

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

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

(a) Segment results and assets

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

Segment assets include fixed assets, goodwill, intangible assets and trade receivables arising from each of the reportable segments as the Group's senior executive management considers that the utilisation of fixed assets, goodwill 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.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2012 and 2011 is set out below:

	Six months ended 30 June 2012 (unaudited)				
	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	273,453	14,929	1,716	10,224	300,322
Reportable segment profit/(loss)	81,243	4,359	(7,589)	(48,461)	29,552
Interest income	—	—	—	—	—
Interest expense	—	—	—	—	—
Depreciation for the period	(7,962)	(682)	(1,161)	(29)	(9,834)
Amortisation for the period	(254)	(1,916)	—	—	(2,170)
Reportable segment assets as at 30 June 2012	273,612	58,132	9,739	12,195	353,678

	Six months ended 30 June 2011 (unaudited)				
	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	235,807	4,570	994	10,281	251,652
Reportable segment profit/(loss)	72,343	1,737	(3,905)	(46,590)	23,585
Interest income	97	—	—	1	98
Interest expense	(661)	—	—	—	(661)
Depreciation for the period	(6,056)	(33)	(281)	(17)	(6,387)
Amortisation for the period	(255)	(600)	—	—	(855)
Reportable segment assets as at 31 December 2011	269,358	24,350	10,249	12,266	316,223

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Reportable segment revenue derived from the Group's external customers	300,322	251,652
Other income	5,330	6,345
Less: Sales taxes and other surcharges	(10,931)	(22,512)
Consolidated turnover	294,721	235,485

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Profit		
Reportable segment profit derived from the Group's external customers	29,552	23,585
Other income	5,330	6,345
Share of profit/(loss) of associates	363	(535)
Share of profit/(loss) of a jointly controlled entity	207	(759)
Unallocated head office and corporate expenses (note)	(13,592)	(8,063)
Consolidated profit before taxation	21,860	20,573

Note: Depreciation of RMB289,000 and RMB347,000 is included in unallocated head office and corporate expenses for the six months ended 30 June 2012 and 2011 respectively.

Interest income of RMB742,000 and RMB2,000 is included in unallocated head office and corporate expenses for the six months ended 30 June 2012 and 2011 respectively.

Interest expenses of RMB1,713,000 and RMB71,000 is included in unallocated head office and corporate expenses for the six months ended 30 June 2012 and 2011 respectively.

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Assets		
Reportable segment assets	353,678	316,223
Corporate and unallocated assets	1,964	7,000
Interests in associates	7,855	4,008
Interest in a jointly controlled entity	1,825	1,618
Investments	2,000	2,000
Deferred tax assets	3,590	5,254
Other receivables, deposits and prepayments	76,974	73,602
Amount due from a jointly controlled entity	398	—
Deposits and cash	73,930	142,487
Consolidated total assets	522,214	552,192

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.

	Six months ended 30 June	
	2012 *RMB'000* **(Unaudited)**	2011 *RMB'000* (Unaudited)
Advertising income	284,787	240,377
Circulation income	10,224	10,281
TV production, sponsorship, event and service income	10,641	7,339
	305,652	257,997
Less: Sales taxes and other surcharges	(10,931)	(22,512)
	294,721	235,485

5 Profit before taxation

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

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs		
Interest charged on		
– Bank loans repayable within 5 years	1,163	156
– Bank loans repayable after 5 years	550	576
	1,713	732
(b) Other items		
Depreciation of fixed assets	10,123	6,734
Amortisation of intangible assets	2,170	855
Operating lease charges in respect of properties	11,595	8,436
Impairment losses on trade receivables, net	167	198
Interest income from bank deposits	(742)	(100)
Net foreign exchange (gain)/loss	(73)	268

6 Income tax

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax - PRC Corporate Income Tax		
Provision for the period	5,834	6,586
(Over)/under-provision in respect of prior years	(374)	332
	5,460	6,918
Deferred tax		
Origination of temporary differences	1,678	—
Actual tax expense	7,138	6,918

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as the tax losses brought forward from previous years exceed the estimated assessable profits for the period.

(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 associates and jointly controlled entity for the six months ended 30 June 2012 and 2011 are included in the shares of results of associates and jointly controlled entity respectively.

7 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company, and the weighted average number of ordinary shares in issue (after adjusting for shares held for share award scheme and share placement) of 432,244,000 shares (2011: 417,112,000 shares) calculated as follows:

	Six months ended 30 June	
	2012	2011
	'000	*'000*
	(Unaudited)	(Unaudited)
Issued ordinary shares as at 1 January	437,850	417,000
Effect of shares held for share award scheme	(5,606)	(4,841)
Effect of share placement	—	4,953
Weighted average number of ordinary shares at 30 June	432,244	417,112

There were no dilutive potential ordinary shares during the six months ended 30 June 2012 and 30 June 2011.

8 Fixed assets

During the six months ended 30 June 2012, the Group acquired items of fixed assets in aggregate amounts of RMB13,395,000, which primarily consisted of leasehold improvement, furniture and fixtures and office equipment amounting to RMB2,030,000, RMB6,501,000 and RMB4,779,000 respectively.

9 Intangible assets

(Unaudited)	Publishing rights *RMB'000*	Customer relationship *RMB'000*	Domain and IT platform *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2012	3,000	3,652	—	1,374	8,026
Exchange differences	—	—	—	5	5
Arising from business combination (note 18)					
– Mobilezine Acquisition	—	3,140	—	—	3,140
– Website Acquisition	—	3,590	4,239	800	8,629
At 30 June 2012	3,000	10,382	4,239	2,179	19,800
Accumulated amortisation:					
At 1 January 2012	1,275	1,252	—	151	2,678
Exchange differences	—	—	—	1	1
Charge for the period	225	1,256	326	363	2,170
At 30 June 2012	1,500	2,508	326	515	4,849
Net book value:					
At 30 June 2012	1,500	7,874	3,913	1,664	14,951
At 31 December 2011 (audited)	1,725	2,400	—	1,223	5,348

10 Goodwill

	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**12,961**	12,961
Arising from business combination (note 18)		
– Mobilezine Acquisition	**2,399**	—
– Website Acquisition	**12,843**	—
At 30 June/31 December	**28,203**	12,961

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and operating segment as follows:

	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Digital media – the PRC	**28,203**	12,961

11 Interests in associates

In March 2012, the Group completed the acquisition of 20% equity interests in Rakuraku Technologies Inc. ("Rakuraku") from an independent third party for a consideration of JPY45,000,000 (equivalent to RMB3,484,000).

12 Trade receivables

An ageing analysis of trade receivables by transaction date as of the end of the reporting period is as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Within 30 days	60,456	72,320
31 days to 90 days	85,854	75,264
91 days to 180 days	42,409	37,515
More than 180 days	13,769	13,439
	202,488	198,538
Less: Allowance for doubtful debts	(2,021)	(1,854)
	200,467	196,684

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). Normally, the Group does not hold any collateral from its customers. All of the trade receivables are expected to be recovered within one year.

13 Trade payables

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

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Within 30 days	15,644	13,557
31 days to 90 days	5,619	10,358
91 days to 180 days	828	—
More than 180 days	148	—
	22,239	23,915

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

14 Capital, reserves and dividends

(a) The movements in the authorised and issued share capital of the Company during the year/period are set out as follows:

The Company

	Note	*No. of shares*	*Ordinary shares of HK$0.01 each HK$'000*	*RMB'000*
Authorised:				
At 1 January 2011, 31 December 2011 (audited), 1 January 2012 and 30 June 2012 (unaudited)		8,000,000,000	80,000	70,485
Issued and fully paid:				
At 1 January 2011		417,000,000	4,170	3,675
Placing of shares	(i)	20,850,000	208	173
At 31 December 2011 (audited) and 30 June 2012 (unaudited)		437,850,000	4,378	3,848

Note:

(i) Placing of shares

On 19 May 2011, the Company issued and allotted 20,850,000 shares at a price of HK$2.50 per share to Mr. Shao Zhong for gross proceeds of HK$52,125,000 (equivalent to RMB43,295,000). The difference of HK$50,818,000 (equivalent to RMB42,209,000) between the net proceeds of HK$51,026,000 (equivalent to RMB42,382,000) and the par value of the share issued of HK$208,000 (equivalent to RMB173,000) has been credited to share premium account of the Company. The shares were issued for the purpose of share placement (the "2011 Placing") in May 2011.

The details of the 2011 Placing and subscription of shares were set out in the Company's announcement dated 6 May 2011.

(b) Equity settled share-based transactions

(i) Details of the Awarded Shares awarded and vested during the six months ended 30 June 2012 are as follows:

Vesting date	**Date of award**	**Number of Awarded Shares vested**	**Average fair value per share**		**Cost of related Awarded Shares**	
			HK$	*RMB*	*HK$'000*	*RMB'000*
4 June 2012	14 May 2012	430,000	2.58	2.10	1,109	904

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

	2012 (unaudited)		2011 (audited)	
	Number of shares held	**Value**	Number of shares held	Value
		RMB'000		*RMB'000*
At 1 January	**5,670,000**	**7,177**	4,070,000	4,670
Purchased during the period	**—**	**—**	1,600,000	2,507
Dividend reinvested to the scheme	**—**	**(149)**	—	—
Shares vested during the period	**(430,000)**	**(904)**	—	—
At 30 June/31 December	**5,240,000**	**6,124**	5,670,000	7,177

During the six months ended 30 June 2012, no shares of the Company (2011: 1,600,000 shares) were purchased by the controlled special purpose entity.

During the six months ended 30 June 2012, 430,000 shares (30 June 2011: Nil) were awarded and vested to selected employees, under the Award Scheme, as approved by the Board of Directors of the Company.

As at 30 June 2012, there was no outstanding unvested awarded shares (30 June 2011: Nil).

(c) Dividends

Dividends attributable to the previous financial year, approved and paid during the period.

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year of HK3.5 cents (equivalent to RMB2.85 cents) per share (2011: Nil)	**12,493**	—

15 Commitments

(a) Capital commitments

Capital commitments outstanding at 30 June 2012 but not provided for in the interim financial report were as follows:

	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Authorised but not contracted for	**—**	3,715
Contracted for	**—**	16,541

(b) **Operating lease commitments**

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Leases expiring:		
– Within 1 year	**20,957**	23,132
– After 1 year but within 5 years	**9,721**	18,505
	30,678	41,637

(c) **Other commitments**

At 30 June 2012, the total future minimum payments under non-cancellable licensing agreements for international cooperation titles are as follows:

	30 June 2012 *RMB'000* **(Unaudited)**	31 December 2011 *RMB'000* (Audited)
Licenses expiring:		
– Within 1 year	**7,357**	6,786
– After 1 year but within 5 years	**29,536**	30,679
– After 5 years	**23,173**	26,250
	60,066	63,715

16 Contingent liabilities

At 30 June 2012 and 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 up to RMB13,914,000 (2011: RMB14,694,000). The Company had 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 (2011: RMB Nil).

At 30 June 2012 and 31 December 2011, the Directors do not consider it is probable that a claim will be made against the Company under of the guarantees.

At 30 June 2012 and 31 December 2011, the Group had no other material contingent liabilities.

17 Material related party transactions

(a) The Group entered into the following related party transactions during the six months ended 30 June 2012 and 30 June 2011

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Recurring		
Agency and commission income (note (i))	187	278
Licensing fee expenses (note (ii))	(368)	—
Non-recurring		
Development cost paid to an associate (note (iii))	(1,637)	—

Notes:

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

(ii) This represented the licensing fee expense payable to Hangzhou Shili for the rights to use the publishing license held by Hangzhou Shili. It is charged at a pre-determined rate mutually agreed, which is based on the market rates of the related licensing services provided.

(iii) This represented development cost paid to an associate, Rakuraku, for the development of applications for the Group. It is charged at a pre-determined rate mutually agreed, which is based on the market rates of the related services provided.

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

(b) Other than disclosed elsewhere in the interim financial report, the Group's had the following balance with related parties and included in other payables and accruals as at 30 June 2012:

	30 June	31 December
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Amount due to a director in respect of the Website Acquisition (note 18(a))	**4,500**	—

(c) Key management personnel remuneration

	Six months ended 30 June	
	2012	2011
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Basic salaries, allowances and benefits in kind	**6,584**	6,441
Discretionary bonuses	**1,059**	—
Share-based payment under Share Award Scheme	**714**	—
Retirement scheme contributions	**157**	149
	8,514	6,590

18 Business combinations

(a) In September 2011, the Group entered into agreements to acquire 100% equity interests in Shanghai Senyin Information Technology Co., Ltd ("Shanghai Senyin") and 100% equity interests in Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited ("Guangzhou Xiandai") (together referred to as the "Website Acquisition") for a consideration of RMB18,000,000. The Website Acquisition was completed in February 2012.

The Website Acquisition is a related party transaction and also constitutes a connected party transaction as defined under the Listing Rules, details of which are set out in the announcement of the Company dated 20 September 2011.

The principal activity of Shanghai Senyin is the operation of a website. Guangzhou Xiandai is dormant but owns a digital publishing license. On completion of the Mobilezine Acquisition (note 18(b)) in March 2012, Guangzhou Xiandai took up the operation of Mobilezine.

The Website Acquisition represents an opportunity for the Group to expand its digital media business segment. The fair values of the identifiable assets and liabilities of the website business as at the date of acquisition and the corresponding carrying amounts immediately before the Website Acquisition were as follows:

	Carrying amount *RMB'000*	**Fair value recognised on acquisition** *RMB'000*
Non-current assets	538	538
Intangible assets (note 9)	—	8,629
Trade and other receivables	1,502	1,502
Taxation recoverable	132	132
Cash and cash equivalents	90	90
Trade and other payables	(5,734)	(5,734)
Net assets		5,157
Goodwill (note 10)		12,843
		18,000

Satisfied by:	
Purchase consideration:	
– Cash paid	13,500
– Consideration payable and amount due to a director	4,500
	18,000

An analysis of the net outflow of cash and cash equivalents in respect of the Website Acquisition is as follows:

Cash consideration paid	(13,500)
Cash and cash equivalents acquired	90
Net cash outflow in respect of the Website Acquisition	(13,410)

Since the date of the acquisition to 30 June 2012, the website business contributed turnover and loss after tax of RMB2,919,000 and RMB1,313,000 respectively. Had the above acquisition taken place at the beginning of the year, there would have been no significant impact on the Group's revenue and profit for the six months ended 30 June 2012.

(b) In March 2012, the Group entered into an agreement with an independent third party to acquire the business operation of "Mobilezine" and its related assets (the "Mobilezine Business") (referred to as the "Mobilezine Acquisition") for a consideration of RMB5,000,000.

The principal activity of the Mobilezine Business is the publication of news and lifestyle information on a mobile network in the PRC.

The Mobilezine Acquisition represents an opportunity to expand the Group's multimedia platform. The fair values of the identifiable assets and liabilities of the Mobilezine Business as at the date of acquisition and the corresponding carrying amounts immediately before the Mobilezine Acquisition were as follows:

	Carrying amount *RMB'000*	Fair value recognised on acquisition *RMB'000*
Fixed assets	24	—
Intangible assets (note 9)	—	3,140
Receivables	20	20
Payables	(559)	(559)
Net assets		2,601
Goodwill (note 10)		2,399
		5,000
Satisfied by:		
Purchase consideration:		
– Consideration payable		5,000

Since the date of the acquisition to 30 June 2012, the Mobilezine Business contributed turnover and profit after tax of RMB771,000 and RMB2,000 respectively. Had the above acquisition taken place at the beginning of the year, there would have been no significant impact on the Group's revenue and profit for the six months ended 30 June 2012.

(c) **Acquisition-related costs**

The Group incurred acquisition-related costs of RMB450,000 relating to external legal fees and other professional fees. The legal and professional fees have been included in "administrative and other operating expenses" of the Group's consolidated statement of comprehensive income.

19 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ending 31 December 2012

Up to the date of the interim financial report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ending 31 December 2012 and which have not been adopted in the interim financial report.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements -Presentation of items of other comprehensive income	1 July 2012
IFRS 9, Financial instruments	1 January 2015
IFRS 10, Consolidated financial statements	1 January 2013
IFRS 11, Joint arrangements	1 January 2013
IFRS 12, Disclosure of interests in other entities	1 January 2013
IFRS 13, Fair value measurement	1 January 2013
IAS 27, Separate financial statements (2011)	1 January 2013
IAS 28, Investments in associates and joint ventures	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

The global economy seems to be lacklustre in 2012. The long-running sovereign debt crisis in the Euro zone deteriorated and the repercussion was spreading. In the United States, even there are encouraging signs of an uptick in demand in key sector of the economy; however, the sluggish housing market and historically high unemployment rate still acts as a brake on the recovery. Obviously, the challenges in the developed economies will have dampening effect on other economies around the globe. The PRC's economy experienced a moderate slowdown in the first half of 2012 and the forecast whole-year GDP growth will be at 7.6%, i.e. the first time under 8.0% in the nearest 5 years. Yet this is still a remarkable achievement when compared with that of most other countries. It is believed that the PRC government will target to establish a balance between maintaining the economic growth and curbing the inflation.

Despite of the gradual deceleration of the PRC's economy growth, the Group had achieved a satisfactory growth in both revenue and net profit during the Interim Period. Moreover, the Group had successfully achieved a series of milestones in its development in multi-media expansions. The Group's turnover in the Interim Period increased by approximately 25.1% to approximately RMB294.7 million (2011: RMB235.5 million) as compared with the corresponding period in 2011. The Group also achieved satisfactory operating results and recorded a profit attributable to equity shareholders for the Interim Period of approximately RMB14.7 million (2011: RMB13.7 million) representing a growth of approximately 7.3% as compared with the same period of year 2011.

The Group attained the growth in both the turnover and profits mainly attributable to the fact that (i) the Group's two flagship weekly magazines "Modern Weekly" and "Modern Lady Weekly" (also known as "U+ Weekly") outperformed in the PRC's lifestyle weekly magazine market, (ii) "Bloomberg Businessweek/China", a renowned financial bi-weekly magazine, was rapidly accepted and recognized by the advertisers since its launch in November 2011, (iii) "iWeekly", the most popular Chinese mobile digital lifestyle app, has successfully established an unique marketing position and acted as an additional platform for brand advertisers to place their advertisements.

BUSINESS REVIEW

Advertising

During the Interim Period, print media remained as the main contributor to generate dominant share of advertising revenue. On the other hand, digital media sector commenced to generate growing revenues.

Print Media

The Group operated two national weekly, one national bi-weekly, two local weekly, five monthly magazines and two bi-monthly magazines in the PRC and Hong Kong. The Group's portfolio of magazine titles contributed the advertising revenue of approximately RMB273.5 million (2011: RMB235.8 million) representing a significant increase of approximately 16.0% as compared to the corresponding period in 2011. The core print business maintained an outstanding performance in the Interim Period, even under a competitive advertising market.

In particular, our flagship magazine, "Modern Weekly", being the No. 1 in the advertising revenue within the category of lifestyle weekly magazines in the PRC as per the survey result of Admango Limited, remained as the brand advertisers' first choice print media notwithstanding that brand advertisers became more cost-cautious in their advertising spending against the backdrop of economic slowdown. "Modern Lady Weekly", as the other flagship magazine, had proven to be the most popular and well-accepted women lifestyle magazine which continuously ranked No. 1 in terms of circulation in China, as per the retail survey of Beijing Kai Yuan Circulation Research Company. Further, "Bloomberg Businessweek/China" was launched at the end of last year and it was widely accepted and recognized by both the advertisers and readers. As a leading business magazine, it has already established its own client portfolio within only a 6 months' period and attracted a number of advertising placements. These publications form the core products of the Group's print media platform. Their unique and complemental positioning helped the Group to continuously expand and diversify its client base.

Advertising revenues of other monthly magazines operated by the Group in the PRC achieved various levels of growth on a year-on-year basis. The Group is confident that such portfolio of monthly magazine will attain a satisfactory operating result throughout the year in 2012.

Local Weekly Magazine

The investments in two local weekly magazines achieved turnaround during the Interim Period. The Hangzhou and Chongqing projects contributed a share of profit of RMB207,000 (2011: a share of loss of RMB759,000) and RMB233,000 (2011: a share of loss of RMB535,000) respectively during the Interim Period.

The cities of Hangzhou and Chongqing are developing quickly during the recent urbanization processes in China. Prosperous regional retail markets have created more lucrative business opportunities for local media. In the second half of 2012, we anticipate that the operating results of these two local weekly magazines will continue to be improved and be likely to attain the yearly profit target.

Circulation

The circulation revenue in the Interim Period amounted to approximately RMB10.2 million (2011: RMB10.3 million), which was slightly decreased by approximately 1.0% compared to that in 2011. The slight change was attributable to an adjustment of publication portfolio. Compared with the same period in 2011, two magazines, namely "Asian Business Leader" (東方企業家) and "Intersection" (汽車生活), were withdrawn from the portfolio while one new magazine, "Bloomberg Businessweek/China" was added. The launch of "Bloomberg Businessweek/China" achieved outstanding result. According to latest retail survey prepared by Kai Yuan Circulation Research Company, the magazine has become one of the leading business publications in the market. Meanwhile, the other two flagship magazines, "Modern Weekly" and "Modern Lady Weekly", maintained their circulation leading positions in the lifestyle magazine category.

Digital Media

Revenue contributed by digital media segment recorded a significant growth by RMB10.3 million to RMB14.9 million for the Interim Period. The advertising revenue of "iWeekly" during the Interim Period increased by 1.5 times when compared with that of last year. Download rates of "iWeekly" continued to grow in a high level from the 2011 year-end that 'iWeekly" continues to be recognized as one of the most successful Chinese media applications on the Apple's iPhone and iPad platforms.

Following the success of "iWeekly", the Group launched two new apps during the Interim period, namely "Lohas" and "iMagazine". Launched on 12 March 2012, the "Lohas" app was the Group's first app adopting the latest technical standards of Apple's "Newsstand". The app was recommended by Apple China in the home page of "Newsstand" upon its launch, and ranked No.1 among all the free apps of magazine and newspaper.

Launched on 27 June 2012 the "iMagazine" app created a brand-new reading experience to our readers. "iMagazine" includes the full-version of our portfolio of printed magazines which the readers can easily and conveniently read those magazines at anytime and anywhere through the iPad platform. This application is a breakthrough that the distribution network can be further extended to remote locations that we cannot cover previously. Moreover, "iMagazine" can create income from both the paid subscription fees and online advertising placements.

In February 2012, the Group entered into formal agreement to acquire 20% equity interests in a Japanese company, namely Rakuraku Technologies Inc. ("RTI"), for a consideration of JPY45.0 million. The acquisition was completed in March 2012. This is an important strategic step in our development of multi-media strategy as RTI is a leading technical company which provides the digital publishing solutions for mobile devices. RTI's technical team is well-experienced in developing mobile applications and they will further enhance our technical strength and increase our competitive edge against other media competitors in the PRC.

TV media

The TV media division is an important element in our multi-media strategy. With our professional production team, the Group successfully produced a series of lifestyle TV programs which obtained the recognition and reputation in local audiences. Right now, we distribute our video contents mainly through channels of on-line video and some city TV stations. With the on-line channels, we have established dedicated broadcasting zones in the Group's "iWeekly" App, as well as in other popular video web sites, such as YouKu, QiYi and PPTV etc. When the TV media business was first launched last year, we increased two income streams from this division, namely product placement advertising and customized production income. During the Interim Period, TV media already contributed a revenue of RMB1.7 million (2011: RMB1.0 million) that represented an increase of approximately RMB0.7 million when compared with that of last year. Therein, a large portion of the revenue was contributed by customized production income. In order to optimize the operating result, the Group's TV media will adjust its business focus towards more customized production for advertisers in the second half of 2012.

BUSINESS OUTLOOK

Print Media Continue to Deliver Satisfactory Results

In 2012, we are likely to see slower economic growth in the PRC amid concerns about the impact of the euro-zone debt crisis together with their austerity measures and a fragile U.S. recovery. The uncertain economic and geopolitical backdrop may continue to raise challenges and cast shadows on the Group's performance throughout 2012. We are cautiously optimistic about the core print media business for the following reasons. Firstly, we expect that with the existing and future stimulus initiatives from the PRC government, the domestic economy will achieve moderate rebound by the end of this year. Hence, domestic retail may resume its upward trend from the second half of 2012. Secondly, attributing to the leading positions of our magazines, our business is generally less vulnerable than our competitors in the economy down turn, which had been seen during the 2008 Financial Tsunami period. We have the confidence that our print media business will achieve above market average performance even in challenging economic conditions. Finally, after the launch of "Bloomberg Businessweek/China" last year, the Group has established a comprehensive publication portfolio, covering major categories, such as lifestyle, news, business, culture, art, health etc. The portfolio will become steady and stable in the foreseeable future. Instead of investing heavily in launch of new magazine titles, the Group will focus on utilizing the economies of scale from the established portfolio, in order to optimize the Group's profitability. Therefore, the Group has confidence that its print media will continue to deliver satisfactory financial performance for the rest of the year and near future.

Mobile Media Shapes the Future of the Company

The Group pledges its future growth to the development of Mobile Media. Leveraging existing media resources and its core competences in contents, channels, audiences, advertising clients, and technologies, the Group is aiming to build an elite-focused mobile media platform. Series of initiatives will be implemented to achieve the goal.

Comprehensive Upgrade of "iWeekly"

After being launched for 2 years, the Group is preparing to have a major upgrade of the "iWeekly" App within 2012. The upgrading efforts mainly relate to two aspects. Firstly, we will restructure the "iWeekly" product design, aiming to improve user experience, as well as improve daily visit traffics. Meanwhile, more advertising space will be created in the new structure, in order to meet the fast-growing demand for mobile advertising. Secondly, riding on the success of the existing iOS version of "iWeekly" on iPhone and iPad platforms, the Group proceeds to develop the Android version of this application. As we all know, the number of Android smart-phones users have become even greater than Apple iPhones'. Expanding into the Android market will help us quickly enlarge the subscribers' base of "iWeekly" in the near future. We target to launch the Android version of "iWeekly" for a few high-end models of Android smart-phones by the end of 2012. As such, we anticipate that the increase of subscribers of "iWeekly" for those two versions will be sky-rocketing starting from 2013. With such a tremendous subscriber base, the Group is confident that "iWeekly" will sustain its leading position among all the Chinese lifestyle magazine applications and create significant advertising revenue in the coming years.

Launch the App of Bloomberg Businessweek/China

The market acceptance of "Bloomberg Businessweek/China" is out of the expectation of the Group. It had shortly obtained the recognition from both the advertisers and readers and became the growing engine of our print media business. With regard to the success of this business magazine, the Group is preparing to launch the mobile app of this magazine title. The new app will be first launched in iOS versions by the first quarter of 2013. It may then be extended into Android, Windows 8 etc. versions. The application is powered by the "Bloomberg Businessweek/China" magazine, but goes beyond a simple on-line copy of the magazine. On top of the magazine contents, the app will also provide daily business information and in-depth analysis to business-conscious elite readers on timely basis and multi-media format. Backed by the strong media brand and resources, we believe that the new app will become a necessity for large group of elite readers, and create additional advertising opportunities.

Other Apps under development

Besides the abovementioned initiatives, the Group is also planning to launch series of new apps in the near future. Under the current plan, it includes a women's lifestyle app, a dining and shopping guide for metro lives. These new apps will focus on building virtual user communities and providing shopping guidance. They will help the Group realize its long term strategies in migrating the information-based media platform to an information-cum-service media platform. Hence, the Group may create additional revenue streams from the service provided.

Proposed investment to be made with United Achievement Limited

On 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. The exclusivity period under the famework agreements lapsed on 31 December 2011. However, as at 30 June 2012, the Group was still in negotiation with United Achievement Limited. No definitive conclusion was reached. The Company is still considering the terms then under negotiation and is willing to form such joint ventures, subject to mutually acceptable term being agreed and finalized. The Company will make further announcement on such matter where the circumstances so justify.

DIVIDEND

In order to reserve more cash resources in response to the possible economic downturn, the Directors do not recommend the payment of any interim dividend (2011: Nil). The Directors will consider whether or not to declare a final dividend after evaluating the full-year financial performance of 2012.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

For the Interim Period, the Group recorded net cash outflow in operating activities of RMB19.8 million (2011: net cash outflow of RMB12.6 million). The net cash outflow in operating activities was largely due to tax payments of RMB21.0 million (2011: RMB20.5 million). The Group recorded net cash outflow in investing activities of RMB34.0 million (2011: RMB32.8 million) for the Interim Period which was largely due to (i) RMB16.9 million payment for acquisitions of 100% equity interests in Shanghai Senyin Information Technology Co., Ltd ("Shanghai Senyin") and Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited ("Guangzhou Xiandai") and 20% equity interests in Rakuraku Technology Inc.; and (ii) the investment in fixed assets of RMB13.4 million (2011: RMB33.2 million) including the purchase of furniture, fixtures and equipment for the Digital Media and Television operations.

As of 30 June 2012, the Group had available unsecured banking facilities of approximately RMB84.2 million and of which RMB34.2 million had been utilized. All of the Group's bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings are denominated in Hong Kong Dollars (HK$) and Renminbi (RMB).

Net cash and gearing

As at 30 June 2012, the Group's net cash was approximately RMB25.8 million which was made up of bank borrowings of approximately RMB48.1 million and bank deposits and cash of approximately RMB73.9 million. The gearing ratio as at 30 June 2012 was 9.2% (31 December 2011: 8.8%), which was calculated based on the total debts divided by total assets. Subsequent to 30 June 2012, the Group repaid two bank loans of RMB26.0 million in aggregate in August 2012.

As at 30 June 2012, the total borrowings of the Group were repayable as follows:

	At 30 June 2012 *RMB'000*	At 31 December 2011 *RMB'000*
Within 1 year or on demand	**35,803**	35,695
After 1 year but within 2 years	**1,783**	1,715
After 2 years but within 5 years	**6,257**	6,020
After 5 years	**4,224**	5,371
	12,264	13,106
	48,067	48,801

Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on fixed assets of approximately RMB13.4 million (corresponding period of 2011: RMB33.2 million).

At 30 June 2012, the Group did not have any capital commitment.

ACQUISITIONS AND INVESTMENTS

In September 2011, the Group announced that it had entered into agreements to acquire 100% equity interests in Shanghai Senyin and 100% equity interests in Guangzhou Xiandai (together referred to as the "Website Acquisition") for a consideration of RMB18,000,000. The Website Acquisition was completed in February 2012.

In March 2012, the Group entered into an agreement with an independent third party to acquire the business operation of "Mobilezine" and its related assets for a consideration of RMB5,000,000.

In addition, the Group completed an acquisition of 20% shareholding in RTI for a consideration of JPY45 million in March 2012.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

At 30 June 2012, the Group did not have any material contingent liabilities or guarantees other than disclosed below.

At 30 June 2012, the Group's bank loan of RMB13.9 million was secured by a mortgage over the Group's property in Beijing, the PRC and guarantees from Modern Media Holdings Limited and Shanghai Gezhi Advertising Co., Ltd (a subsidiary of the Company). There was a contingent liability in respect of guarantee given by Shanghai Yage Advertising Co., Ltd., a subsidiary of the Group, up to RMB5.0 million.

FOREIGN EXCHANGE RISKS

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

EMPLOYEES

At 30 June 2012, the Group had a total of 1,038 staff (31 December 2011: 973 staff), whose remunerations and benefits are determined based on market rates, State policies and individual performance. The increase in the number of employees was mainly due to the expansion of technical and editorial staff for the development of Apps of “iMagazine” and “iBloomberg”.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company and the Awards made up to 30 June 2012 are set out in note 14(b) to the interim financial report.

SHARE OPTIONS

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

No share option was granted, exercised, cancelled or has lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 30 June 2012.

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 Interim Period.

CORPORATE GOVERNANCE

During the three-month period from 1 January 2012 to 31 March 2012, all the code provisions in the Corporate Governance Code (which is set out in the then prevailing version of Appendix 14 of the Listing Rules) were met by the Company.

During the three-month period from 1 April 2012 to 30 June 2012, all the code provisions in the Corporate Governance Code (which is set out in the current version of Appendix 14 of the Listing Rules were met by the Company, except that code provision A6.7 providing for Independent Non-executive Directors (“INEDs”) of the Company to, inter alia, attend general meetings. A few INEDs were not in attendance of the last Annual General Meeting of the Company held in May 2012 due to the other engagement at the relevant time.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises four independent non-executive Directors. The Chairman of the Audit Committee possesses appropriate professional qualification and experience in financial matters.

The Audit Committee of the Company has reviewed the unaudited interim financial report for the six months ended 30 June 2012 with no disagreement.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Nomination Committee currently comprises four independent non-executive Directors. They are responsible for reviewing the structure, size and composition of the Board at least annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of Directors.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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

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

Hong Kong, 22 August 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.