MODERN MEDIA HOLDINGS LIMITED
現代傳播控股有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 72)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

2012 HK$'000*		2012 RMB'000	2011 RMB'000	Variance
807,346	Turnover	655,313	586,186	+11.8%
80,410	Profit for the year	65,268	60,278	+8.3%
HK$0.19**	Earnings per share (RMB)	0.15	0.14	+7.1%
733,965	Total assets	595,751	552,192	+7.9%

The Board recommends the payment of final dividend of HK5.5 cents (RMB4.5 cents) (2011: HK3.5 cents) per share for the year ended 31 December 2012.

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.232 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 2012 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
Turnover	4	**655,313**	586,186
Cost of sales		**(278,457)**	(251,686)
Gross profit		**376,856**	334,500
Other revenue		**12,762**	2,122
Other net loss		**(366)**	(103)
Selling and distribution expenses		**(136,616)**	(115,038)
Administrative and other operating expenses		**(156,937)**	(131,543)
Profit from operations		**95,699**	89,938
Finance costs	5(a)	**(2,848)**	(2,685)
Share of profit/(loss) of associates		**267**	(477)
Share of loss of a jointly controlled entity		**(366)**	(1,707)
Profit before taxation	5	**92,752**	85,069
Income tax	6	**(27,484)**	(24,791)
Profit for the year		**65,268**	60,278
Other comprehensive income for the year			
Share of other comprehensive income of an overseas associate		**(50)**	—
Exchange differences on translation of financial statements of overseas subsidiaries		**2,013**	(2,361)
Total comprehensive income for the year		**67,231**	57,917
Profit attributable to equity shareholders		**65,268**	60,278
Total comprehensive income attributable to equity shareholders		**67,231**	57,917
Earnings per share (RMB)	7		
– Basic and diluted		**0.15**	0.14

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

	Note	**2012**	2011
		RMB'000	RMB'000
Non-current assets			
Fixed assets	9	**113,131**	108,230
Intangible assets	10	**15,749**	5,348
Goodwill	10	**28,203**	12,961
Software development in progress		**7,446**	—
Interests in associates		**7,709**	4,008
Interest in a jointly controlled entity		**1,252**	1,618
Investments		**269**	2,000
Deferred tax assets		**1,836**	5,254
		175,595	139,419
Current assets			
Trade receivables	11	**214,283**	196,684
Other receivables, deposits and prepayments		**65,373**	73,602
Deposits and cash		**140,500**	142,487
		420,156	412,773
Current liabilities			
Trade payables	12	**19,850**	23,915
Other payables and accruals		**78,776**	78,656
Amount due to an associate		**1,142**	—
Amount due to a jointly controlled entity		**—**	2,062
Bank loans		**34,014**	35,695
Taxation payable		**28,411**	33,671
		162,193	173,999
Net current assets		**257,963**	238,774

	2012 RMB'000	2011 RMB'000
Total assets less current liabilities	**433,558**	378,193
Non-current liabilities		
Bank loans	**(11,350)**	(13,106)
Deferred tax liabilities	**(1,942)**	(612)
	(13,292)	(13,718)
NET ASSETS	**420,266**	364,475
CAPITAL AND RESERVES		
Share capital	**3,848**	3,848
Reserves	**416,418**	360,627
TOTAL EQUITY	**420,266**	364,475

Notes to the financial statements

1 Corporate information

Modern Media Holdings Limited (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, 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 Floor 4, Willow House, Cricket Square, P O Box 2804, Grand Cayman KY1-1112, Cayman Islands.

2 Significant accounting policies

Statement of compliance

(i) These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collective term includes International Accounting Standards ("IASs") and related Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

(ii) 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: Disclosure - 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 recognised 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 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 ways 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.

3 Segment reporting (Continued)

— 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 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, intangible assets, goodwill, software development in progess and trade receivables arising from each of the reportable segments as the Group's senior executive management considers that the utilisation of fixed assets, intangible assets, goodwill and software development in progress 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.

3 **Segment reporting (Continued)**

(a) **Segment results and assets (Continued)**

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 2012 and 2011 is set out below:

	2012				
	Print media advertising RMB'000	**Digital media RMB'000**	**Television RMB'000**	**Circulation RMB'000**	**Total RMB'000**
Revenue derived from the Group's external customers	**614,826**	**31,919**	**5,192**	**16,106**	**668,043**
Inter-segment revenue	**—**	**2,283**	**—**	**—**	**2,283**
Reportable segment revenue	**614,826**	**34,202**	**5,192**	**16,106**	**670,326**
Reportable segment profit/(loss)	**202,951**	**12,819**	**(10,214)**	**(102,213)**	**103,343**
Interest income	**—**	**—**	**—**	**—**	**—**
Interest expense	**—**	**—**	**—**	**—**	**—**
Depreciation for the year	**(15,964)**	**(1,473)**	**(2,331)**	**(62)**	**(19,830)**
Amortisation for the year	**(508)**	**(4,347)**	**—**	**—**	**(4,855)**
Reportable segment assets as at 31 December 2012	**287,156**	**73,035**	**6,984**	**8,176**	**375,351**

	2011				
	Print media advertising RMB'000	Digital media RMB'000	Television RMB'000	Circulation RMB'000	Total RMB'000
Revenue derived from the Group's external customers	577,995	15,305	2,667	21,753	617,720
Inter-segment revenue	—	—	—	—	—
Reportable segment revenue	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 as at 31 December 2011	269,358	24,350	10,249	12,266	316,223

3 Segment reporting (Continued)

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

	2012 RMB'000	2011 RMB'000
Revenue		
Reportable segment revenue derived from the Group's external customers	**668,043**	617,720
Other income	**18,646**	23,130
Less: Sales taxes and other surcharges	**(31,376)**	(54,664)
Consolidated turnover	**655,313**	586,186
Profit		
Reportable segment profit derived from the Group's external customers	**103,343**	85,005
Other income	**18,646**	23,130
Share of profit/(loss) of associates	**267**	(477)
Impairment loss on interest in a jointly controlled entity	**—**	(817)
Impairment loss on investments	**(1,731)**	—
Share of losses of a jointly controlled entity	**(366)**	(1,707)
Unallocated head office and corporate expense (note)	**(27,407)**	(20,065)
Consolidated profit before taxation	**92,752**	85,069

Note: Depreciation of RMB575,000 is included in unallocated head office and corporate expense for the year ended 31 December 2012 (2011: RMB1,183,000).

Interest income of RMB983,000 is included in unallocated head office and corporate expense for the year ended 31 December 2012 (2011: RMB119,000).

Interest expenses of RMB2,848,000 is included in unallocated head office and corporate expenses for the year ended 31 December 2012 (2011: RMB133,000).

	2012 RMB'000	2011 RMB'000
Assets		
Reportable segment assets	**375,351**	316,223
Corporate and unallocated assets	**3,461**	7,000
Interests in associates	**7,709**	4,008
Interest in a jointly controlled entity	**1,252**	1,618
Investments	**269**	2,000
Deferred tax assets	**1,836**	5,254
Other receivables, deposits and prepayments	**65,373**	73,602
Deposits and cash	**140,500**	142,487
Consolidated total assets	**595,751**	552,192

3 **Segment reporting (Continued)**

(c) Geographic information

The following table sets out information about the geographical location of the Group's fixed assets, intangible assets, goodwill, software development in progress, investments and interests in associates 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, goodwill and software development in progress and the location of operations, in the case of investments and interests in associates and a jointly controlled entity.

	2012	2011
	RMB'000	RMB'000
The PRC (place of domicile)	**154,048**	124,789
Hong Kong	**15,690**	8,633
Japan	**3,410**	—
Taiwan	**611**	743
	173,759	134,165

(d) Major customers

The Group's customer base includes one customer (2011: one customer) with whom transactions have exceeded 10% of the Group's revenues. During the years ended 31 December 2012 and 2011, advertising income from such customer amounted to RMB81,985,000 and RMB90,107,000 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.

	2012	2011
	RMB'000	RMB'000
Advertising income	**644,147**	593,503
Circulation income	**16,106**	21,753
TV production, sponsorship, event and service income	**26,436**	25,594
	686,689	640,850
Less: Sales taxes and other surcharges	**(31,376)**	(54,664)
	655,313	586,186

5 Profit before taxation

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

	2012 RMB'000	2011 RMB'000
(a) Finance costs		
Interest charged on:		
– Bank loans repayable within 5 years	**1,816**	312
– Bank loans repayable after 5 years	**1,032**	1,160
	2,848	1,472
Fair value change on re-measurement of contingent consideration arising from business combinations	**—**	1,213
	2,848	2,685
(b) Staff costs		
Salaries, wages and other benefits	**172,311**	141,814
Share-based payments expenses	**904**	—
Contributions to defined contribution retirement plan	**34,706**	25,616
	207,921	167,430
Less: Amount included in research and development expenditure (note 5(c))	**(6,054)**	—
	201,867	167,430
Staff costs included in:		
– Cost of sales	**83,312**	70,371
– Selling and distribution expenses	**58,584**	49,723
– Administrative and other operating expenses	**59,971**	47,336
	201,867	167,430
(c) Research and development expenditure		
Research and development expenditure comprise of:		
– Staff costs (note 5(b))	**6,054**	—
– Other research and development expenditure and overheads	**5,165**	—
	11,219	—
Less: Amounts capitalised	**(10,932)**	—
	287	—
(d) Other items		
Depreciation of fixed assets	**20,405**	15,391
Amortisation of intangible assets	**4,855**	1,709
Auditors' remuneration		
– Audit services	**1,981**	1,511
– Other services	**355**	448
Operating lease charges in respect of properties	**23,423**	19,233
Impairment loss on trade receivables (written back)/ recognised, net	**(14)**	1,168
Impairment loss on investments	**1,731**	—
Impairment loss on investment in a jointly controlled entity	**—**	817
PRC Government incentives (included in other revenue)	**(11,779)**	(1,833)

6 Income tax in the consolidated statement of comprehensive income

(a) Taxation in the consolidated statement of comprehensive income represents:

	2012 RMB'000	2011 RMB'000
Current tax - PRC Corporate Income Tax		
Provision for the year	**22,228**	25,052
Withholding tax (note (v))	**1,006**	2,000
Over-provision in respect of prior years	**(508)**	(581)
	22,726	26,471
Deferred tax		
Origination and reversals of temporary differences	**4,758**	(1,680)
	27,484	24,791

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 2012 and 2011 were calculated at 16.5% of the estimated assessable profits for the respective years. No provision has been made on the subsidiaries in Hong Kong for Hong Kong Profits Tax as either the tax losses brought forward from previous years exceed the estimated assessable profits for the year or the subsidiaries have no estimated assessable profits in Hong Kong.

(iii) The provision for PRC Corporate Income Tax for the years ended 31 December 2012 and 2011 were calculated at the prevailing tax rates, pursuant to the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law.

(iv) No tax attributable to associates and jointly controlled entity for the years ended 31 December 2012 and 2011 are included in the share of results of associates and jointly controlled entity respectively.

(v) As of 31 December 2012, the Group made a provision of RMB1,006,000 (2011: RMB2,000,000) for withholding income tax on dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology").

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 RMB65,268,000 (2011: RMB60,278,000) 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 432,428,000 shares (2011: 424,708,000 shares) calculated as follows.

	2012	2011
	'000	'000
Issued ordinary shares at 1 January	**437,850**	417,000
Effect of shares held for the Share Award Scheme	**(5,422)**	(5,259)
Effect of share placement	**—**	12,967
Weighted average number of ordinary shares	**432,428**	424,708

There were no dilutive potential ordinary shares during the years ended 31 December 2012 and 2011.

8. Dividends

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

	2012	2011
	RMB'000	RMB'000
Final dividend proposed after the end of the reporting period of HK5.5 cents (equivalent to RMB4.5 cents) (2011: HK3.5 cents (equivalent to RMB2.84 cents)) per ordinary share	**19,547**	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) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2012	2011
	RMB'000	RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK3.5 cents (equivalent to RMB2.85 cents) per share (2011: Nil)	**12,493**	—

9 Fixed assets

During the year ended 31 December 2012, the Group acquired items of fixed assets in aggregate of RMB25,427,000, which primarily consisted of leasehold improvements, furniture and fixtures and office equipment amounted to RMB4,246,000, RMB14,354,000 and RMB5,924,000 respectively.

10 Intangible assets and goodwill

In February 2012, the Group completed the acquisition of 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 principal activity of Shanghai Senyin is the operation of a website.

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 (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.

For the year ended 31 December 2012, additions to intangible assets amounting to RMB11,769,000 comprised largely of customer relationship and domain and IT platform which were resulted from the business combinations of Mobilezine Acquisition and Website Acquisition.

Goodwill of RMB2,399,000 and RMB12,843,000 were recognised in respect of Mobilezine Acquisition and Website Acquisition.

11 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).

	2012	2011
	RMB'000	RMB'000
Trade receivables	**215,954**	198,538
Less: Allowance for doubtful debts	**(1,671)**	(1,854)
	214,283	196,684

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

	2012	2011
	RMB'000	RMB'000
Within 30 days	**87,659**	72,320
31 days to 90 days	**74,847**	75,264
91 days to 180 days	**37,480**	37,515
More than 180 days	**15,968**	13,439
	215,954	198,538
Less: Allowance for doubtful debts	**(1,671)**	(1,854)
	214,283	196,684

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

12 Trade payables

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

	2012	2011
	RMB'000	RMB'000
Within 30 days	**9,439**	13,557
31 days to 90 days	**9,227**	10,358
91 days to 180 days	**1,148**	—
More than 180 days	**36**	—
	19,850	23,915

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

13 Contingent liabilities

At 31 December 2012, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank loans of up to RMB13,090,000 (2011: RMB14,694,000). 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 (2011: RMBNil).

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

14 Non-adjusting events after the reporting period

(a) In January 2013, the Group entered into a sale and purchase agreement with an independent third party in acquiring a residential property located in Shenzhen, which will be used as staff quarter for senior management, for a consideration of RMB11.5 million.

(b) After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 8.

15 Commitments

(a) Capital commitments

Capital commitments outstanding at 31 December 2012 and 2011 not provided for in the consolidated financial statements were as follows:

	2012	2011
	RMB'000	RMB'000
Authorised but not contracted for	**7,500**	3,715
Contracted for	**—**	16,541

(b) **Operating lease commitments**

At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2012	2011
	RMB'000	RMB'000
Leases expiring:		
– Within 1 year	**15,343**	23,132
– After 1 year but within 5 years	**9,227**	18,505
	24,570	41,637

(c) **Other commitments**

At 31 December 2012, the total future minimum payments under non-cancellable licensing agreements for international cooperation titles are as follows:

	2012	2011
	RMB'000	RMB'000
Licences expiring:		
– Within 1 year	**11,831**	6,786
– After 1 year but within 5 years	**37,322**	30,679
– After 5 years	**22,902**	26,250
	72,055	63,715

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

2012 saw contraction of the developed economies as well as slowdown in growth in large emerging markets, which highlighted the underlying weakness and downside risks of the global economy. However, the Group overcame the challenge of economic uncertainties and delivered a fair financial result throughout the year. The Group's core print media was on a healthy growth track, while its mobile digital media and TV business had a satisfactory performance in 2012. The Group's turnover for year 2012 amounted to approximately RMB655.3 million, represented an increase of 11.8% compared with that of year 2011. This was mainly attributable to the stable performance of its leading print media products, as well as a generally healthy advertising market in the PRC. The Group's two flagship weekly magazines, the "Modern Weekly" and "Modern Lady Weekly" together with the renowned bi-weekly business magazine, the "Bloomberg Businessweek/China", achieved a beyond-industry-average growth during 2012. Further, the revenue of the "iWeekly", one of the most popular Chinese media applications ("Apps"), achieved yearly revenue growth of 90.7% in 2012. Despite the dilution caused by the launch of its new Apps such as "Bloomberg Businessweek" and transition of the business model in TV media division, the Group recorded a net profit of approximately RMB65.3 million for the year 2012, representing a growth of 8.3% as compared to that of the year 2011. The Directors are satisfied with the financial performance and the strategic milestones achieved by the Group.

(A) BUSINESS REVIEW

2012 was a turning point for the Group as it continued to shift from print media to multi-media arena. Since 2011, the Group has strategically restructured its business into three business segments, namely print media, mobile digital media and TV. In 2012, print media maintained as the major income contributor of the Group's advertising revenue while digital media and TV segment began to generate revenue at a relatively rapid pace.

(i) Print Media

The Group is one of the leading media groups in PRC and Hong Kong operating two national weeklies, one national bi-weekly, two local weeklies, five monthly magazines and two bi-monthly magazines in the PRC, and one monthly magazine in Hong Kong, which cover topics of lifestyle, news, finance, culture, art, health, etc. Revenue generated from print media was mainly attributable to advertising and circulation revenue. The Group achieved satisfactory result, which was above the market average performance, in such sources of revenue in 2012.

(1) Advertising

2012 was not an easy year for many business enterprises. There was a slowdown in the economic growth in the PRC with a GDP decrease from 9.2% in 2011 to 7.5% in 2012, mainly resulting from the impacts of the accelerating inflation, slowdown in export growth and sluggish property market. Gradually, those negative factors created an impact on the advertising market. It is estimated by ZenithOptimedia and CTR that the advertising market was still on a continuous upward trend but the growth stayed slow in 2012. The advertising revenue of the Group in the PRC was approximately RMB614.8 million (2011: RMB578.0 million), representing a moderate increase of approximately 6.4% on a yearly basis.

The expenditure in the retail business in China suffered a distinct slowdown in 2012, especially for the second half of the year, in which the auto industry merely achieved a growth of 7% (2011: 15%), and the fashion & cosmetic industry achieved a growth of 17% (2011: more than 20%). Moreover, the growth in the watch & jewelry industry went through a severe slowdown from approximately 50% in 2011 to 16% in 2012.

The advertisement market faced a lackluster period due to the negative impact in retail business. The traditional advertisement market accomplished a relatively small growth of 4.5% (2008-2011 average growth: 13.5%) in 2012, in which magazine category only managed to survive with a growth of 2% and the newspaper category even suffered a decrease of 7.5%. The gloomy trend was even more obvious in the second half of 2012, in which magazine category had no substantial increase compared to 2011. The advertisement expenditure of auto and cosmetic categories almost remained the same when compared to that of 2011. Despite the weak market, the Group still managed to achieve a growth of 6.4% for its print media advertising segment, which was above the market average in advertisement revenue by leveraging the dominant leading position in print magazine market, in which revenue generated from auto and watch & jewelry advertisement remarkably accomplished a growth of 17% and 21% respectively.

The Group's flagship weekly magazine, "Modern Weekly", firmly maintained its leading position and continued to widen the leading gap with its direct competitors in the market. It maintained a moderate growth and achieved positive financial results during 2012. According to the surveys by Admango Limited, "Modern Weekly" has ranked No. 1 in the advertising revenue for 7 consecutive years within category of lifestyle weekly magazines in the PRC. In 2012, "Modern Weekly" was in a sluggish advertising environment, especially in the 4th quarter, and achieved a slight increase in its advertising revenue when compared to the same period of 2011. However, the Group implemented an effective control over the operating costs which made "Modern Weekly" achieve an increase in operating profits in 2012. Furthermore, the content cooperation with New York Times and The Economist had proven the status and content quality of "Modern Weekly" towards its readers and also created a greater brand recognition to the advertisers.

The other flagship magazine, "Modern Lady Weekly", being one of the most popular women's lifestyle weekly magazines in the PRC, continued to perform well in 2012. It also recorded a moderate increase in advertising revenue when compared to 2011 under the stagnant advertising market in 2012. According to market survey published by Beijing Kai Yuan Circulation Research Company, "Modern Lady Weekly" has ranked No. 1 in circulation among all women lifestyle magazines in the PRC for four consecutive years since its launch in 2008. "Modern Lady Weekly" launched a series of interactive marketing campaigns with readers by the readers' club named "You Jia Hui" over a number of cities in the PRC. Such series of marketing events attracted widespread attention and received positive feedbacks from both advertisers and readers.

"Bloomberg Businessweek/China", being the Group's third flagship magazine (bi-weekly), rapidly became a new profit engine of the Group's print media business. It triumphantly attracted more advertising placements from additional brand advertisers beyond the existing clientele including banking, insurance, wealth management and professional human resources agencies. As the result, the magazine recorded better than expected advertising revenue growth in its first full-year of operation. The Directors firmly believe that this new magazine title together with "Modern Weekly" and "Modern Lady Weekly" will become the major cornerstone of the Group's print media business.

Among other monthly magazines operated by the Group in the PRC and Hong Kong, the total advertising revenue maintained a moderate increment in 2012 compared to that of 2011. Such portfolio of magazines is important for the Group's marketing strategy for attracting the segmented readers and advertisers.

On the other hand, the Group cooperated with some local partners to issue two local weekly lifestyle magazines in Hangzhou and Chongqing. Those publications succeeded in arousing readers' attention and attained a moderate growth in advertising revenue especially in Chongqing. Both magazines were almost break even during 2012. The management is confident that those two investments will have a favorable operating result in the future.

(2) Circulation

The circulation revenue in 2012 amounted to approximately RMB16.1 million (2011: RMB21.7 million), decreased by approximately 25.8% compared to that of 2011. The decrease was mainly attributable to the following reasons: (1) there was an adjustment of publication portfolio. Compared with 2011, the portfolio increased by one new magazine, "Bloomberg Businessweek/China" but the Group took out two magazines, namely "Asian Business Leader" (東方企業家) and "Intersection" (汽車生活) in 2012; and (2) In order to promote the Group's titles in the highly competitive magazine market, the Group increased the discount ratio in selective distribution channels as a strategy to support the advertising revenue.

(ii) Mobile Digital Media

During 2012, the mobile digital media achieved satisfactory results in terms of operating results, product development and resources development. The Group launched a series of successful Apps, namely "iWeekly", "Bloomberg Businessweek", "iMagazine", "Lohas" and "iModernlady" on multiple operating platforms, including the iOS and Android systems.

"iWeekly" continuously remains to be one of the most popular Chinese media Apps with 7.4 million users by the end of 2012, which remained the No. 1 position among all Chinese media applications. The popularity of "iWeekly" also aroused the interest of advertisers to experience a new channel of marketing promotions. In 2012, "iWeekly" achieved an advertising revenue of approximately RMB30.0 million and being one of the leading applications on "iPhone" and "iPad". In addition to the success on the commercial side, "iWeekly" also achieved major technical upgrades in 2012. Leveraging on the success of "iWeekly" on iOS system of Apple Inc., it released the Android version in May 2012. With continuous improvement in contents and user experiences, the Directors are confident that "iWeekly" will maintain its leading position and achieve significant advertising revenue growth in the coming years.

In addition to "iWeekly", the Group launched another important App with financial and business contents in Chinese language, namely "Bloomberg Businessweek", in November 2012. Within several weeks since its launch, the new App had been downloaded by over 370,000 users. After the launch of "Bloomberg Businessweek", this App earned an enthusiastic official recommendation from Apple's App Store. Besides published contents of the print magazine, this business App includes additional news and multimedia contents licensed from Bloomberg L.P. This App had provided the Group with a strong and stable new media advertising platform in additon to "iWeekly" and is expected to create increasing opportunities for advertising revenue.

Besides the two above-mentioned Apps, the Group also launched other new apps in 2012, including "Lohas", "iTom", "iModernlady", "iMetro" etc. Through the launch of these new media Apps, the Group has preliminarily constructed a comprehensive mobile publication platform.

(iii) TV media

The Group has already established a competent professional TV production team and such team members are very critical for the Group's development of its multi-media business. In the 2nd half of 2012, the Group re-defined its business strategy to focus on customized production for its brand advertisers. The TV media segment had achieved a revenue of RMB5.2 million (2011: RMB2.7 million) representing an increase of approximately 92.6% in 2012 when compared to that of 2011. The new strategy has largely reduced the production cost through cutting the hours of self-sponsored programs and brought a significant bottom-line turnaround. Compared to the loss of RMB7.6 million reported in the interim result of 2012, TV media managed to reduce the loss to RMB2.6 million in the 2nd half of 2012. Looking forward, the Group's TV media will continue this business model and focus more on customized production for advertisers in the future. The Group gradually established a dedicated broadcasting platform by launching a series of Apps such as "iWeekly", "Bloomberg Businessweek" and "Lohas" etc. With ample subscriber base in those successful Apps, the Group will have an additional revenue stream by charging those advertisers if they intend to broadcast their TV commercial on those Apps. The Directors are confident that the TV media will break even or even become profitable in the coming years.

(B) BUSINESS OUTLOOK

The media industry is currently experiencing significant revolution that the leading positions of traditional media are being challenged by digital media. At the same time, digital media itself is also undergoing a change from technology-driven to content-driven. As a quality content producer, the Group is excited about the prospects of the content-driven digital media era. The Group has defined a 3-step long-term strategy to develop an integrated media business. In the past decade, we had established a leading magazine portfolio in print media. In the past three years, we have successfully converted the print contents into "iContents", contents in digital format, through the launches of series of digital media, such as "iWeekly" and "Bloomberg Businessweek". From 2013 and onwards, we will determinately move into the 3rd step of the strategy. Besides continuing to complete the "iContents" strategy through launching new products, we will start to implement the "iShopping" strategy, to launch media-driven eCommerce platform.

(i) Steady and sustainable growth of print media

Looking ahead, the Group is cautiously optimistic with the outlook of the global economy in 2013. The situation of Euro zone debt crisis seems to be stabilized and the U.S. economy begins to show signs of growth. The PRC remains the locomotive to propel the economic growth where its GDP growth is forecasted to be 7.5% in 2013. Further, it is believed that the new PRC government will implement stimulus policies in order to enlarge the domestic consumption. The Directors believe that the Group's media platform will be largely benefited from the above. It is expected that with its market leading positions, "Modern Weekly" shall sustain a above-average growth in the advertising revenue, and further improve its profit margin through its matured magazine title. Moreover, "Modern Lady Weekly" and "Bloomberg Businessweek/China" are expected to maintain their reasonable growth momentum since they are still in early stages of their product life-cycle. These three weekly/bi-weekly magazines will take the major role to lead the future business growth of the Group's print media business. In the meantime, the Group will also take appropriate measures to improve the profitability in the print media, including initiatives to rationalize the magazine portfolio and to control operating costs.

Although the print media has been under a growth pressure in developed markets, such as the United States, there are still rooms for print media to grow in the PRC market. As a typical presentation format of elite media, print magazine will attract more and more demand along with the increasing population of elite class in the region. Compared to the consumption of magazine per capita in the developed markets, the PRC consumption level is relatively low. Therefore, the Group will continue its necessary investment efforts in the print media.

Becoming a regional Publisher

As a result of the success of "Bloomberg Businessweek/China", the Group entered into a supplementary agreement with Bloomberg L.P. in December 2012. The Group is planning to launch another two print versions of "Bloomberg Businessweek" in Traditional Chinese, one for Hong Kong and the other for Taiwan. The Group anticipates two strong reasons to launch these new titles. Firstly, the Directors are of the view that both Taiwan and Hong Kong lack quality business magazines integrating global vision and local coverage. Secondly, the established publishing foundation of "Bloomberg Businessweek/China" in mainland China provides cost and resources synergy to launch the additional regional edition. Those two new magazines are planned to be issued in mid 2013. "Bloomberg Businessweek" will become the first magazine with both the Traditional and Simplified Chinese versions to be issued at the same time in the Greater China region. The Group believes that the launch of these two new business magazines will not only bring in additional advertising revenue, but will also enhance its market influence in both Hong Kong and Taiwan media market. Further, as it is expected that China will achieve a more important role in the global arena, the Group believes that the Chinese culture and vision will have greater influence first in the region, then towards the world. Therefore, it is the Group's long term strategy to further expand its publishing territory beyond mainland China. The current pursuits of launching new titles in Hong Kong and Taiwan is the first step of this strategy.

(ii) Building a leading digital media platform

While print media is the foundation of the Group's business, digital media is its future. The entire media world is becoming more digitalized. Both readers and advertisers are re-shaping their behavior patterns, particularly increasing their activities on-line. The Group has a strategy to determinately investing in building a digital media content platform.

In the past three years, the Group established a mobile publication platform through launching a series of media Apps to attract a number of elite on-line readers. The launches of "iWeekly", "Bloomberg Businessweek", "iMagazine", "iLohas" and "iTom" in the recent years are important initiatives in constructing this platform. Meanwhile, as it was announced on 7 March, 2013, the Group intends to cooperate with the globally renowned AFP (Agence France-Presse) to launch an on-line Chinese language news service for lifestyle, culture, art, and other subjects ("iAFP中文网") in the second half of 2013. This service is expected to provide timely updated contents to both business and personal users, and further elevate the Group's influence in digital publication. Currently, the Group has attracted nearly 10 million users on this platform. With the launches of additional Apps, as well as additional versions of existing Apps, such as the Android version and Windows 8 versions, the Group anticipates to attract much more users in the near future. In this mobile publication platform, the Group will continue to adopt advertisement plus subscription business model as in the print media business. The commercial success of "iWeekly" has proven the effectiveness of Mobile Media.

(iii) Constructing a media-driven "iShopping" platform

This platform will be a virtual shopping mall for selective lifestyle and fashion brands provides media-driven contents to inspire readers' impulsion for on-line shopping, and link them to strategic e-commerce partners to complete their shopping experience. Through the services, the Group aims to be benefited from both on-line promotional advertising and transactional commissions. The launch of "iModernlady"App and "iMetro"App as well as the shopping guide website in first half of 2013 were important deployments of developing this iShopping platform. In 2013, the Group will focus on perfecting the shopping-guide website into a virtual shopping mall. The Group will develop effective initiatives to migrate the visit traffics from the populous mobile publication platform towards the iShopping platform. In addition, the Group will develop strategic partnerships with on-line brand marketers.

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 2012, the Group was still in discussion with United Achievement Limited and no definitive agreement were entered in this regard. 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 finalized. The Company will make further announcement on such matter where the circumstances so justify.

(C) FINAL DIVIDEND

The Directors proposed to declare a final dividend of HK5.5 cents (2011: HK3.5 cents) per share, amounting to approximately HK$24.1 million in aggregate. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed dividend will be paid to shareholders whose names appear on the register of members of the Company on 22 May 2013 and the expected date of payments is 14 June 2013. 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 Wednesday, 15 May 2013. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 13 May 2013 to Wednesday, 15 May 2013, 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 Hong Kong branch share registrars in Hong Kong, Tricor Investor Services Limited of 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 10 May 2013.

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 24 May 2013. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 22 May 2013 to Friday, 24 May 2013, both days inclusive, during which period no transfer of shares will be effected. In order to be 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 Tuesday, 21 May 2013. The payment of final dividend will be made on Friday, 14 June 2013.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow for operating activities of approximately RMB73.3 million (2011: RMB56.5 million), which were 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 from investing activities amounted to RMB60.0 million (2011: RMB58.4 million) which was mainly attributable to (a) payment for purchase of fixed assets in various offices, and (b) partial payment of the acquisition of 100% equity interests in Shanghai Senyin Information Technology Company Limited ("Shanghai Senyin") and Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited ("Guangzhou Xiandai") and 20% equity interests in Rakuraku Technologies Inc.. The Group's cash outflow from financing activities amounted to RMB18.6 million (2011: inflow of RMB64.5 million) which was mainly owing to the payment of dividend of RMB12.3 million and the net repayment of bank loans of RMB3.4 million.

Amounts due from Guangzhou Zhongde

As at 31 December 2012, other receivable included the amounts of RMB2.9 million (2011: RMB9.7 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.

Borrowings and gearing

As at 31 December 2012, the Group's outstanding borrowings was approximately RMB45.4 million (2011: RMB48.8 million). The total borrowings comprised secured bank loans of approximately RMB21.5 million (2011: RMB34.7 million) and other unsecured bank loan of approximately RMB23.9 million (2011: RMB14.1 million). The gearing ratio as at 31 December 2012 was 7.6% (31 December 2011: 8.8%), 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 2012, the total debts of the Group were repayable as follows:

	2012	2011
	RMB'000	RMB'000
Within 1 year or on demand	**34,014**	35,695
After 1 year but within 2 years	**1,870**	1,715
After 2 years but within 5 years	**6,488**	6,020
After 5 years	**2,992**	5,371
	11,350	13,106
	45,364	48,801

SHARE CAPITAL

As at 31 December 2012, 437,850,000 shares of a nominal value of HK$0.01 each were in issue. Details of the movement of shares will be set out in a note to the consolidated financial statements to be uploaded on the websites of the Stock Exchange and the Company in due course.

CAPTIAL EXPENDITURE

Capital expenditure of the Group for the year include expenditure on fixed assets of approximately RMB25.4 million (2011: RMB52.2 million). Major expenditure included the purchase of furniture, fixtures and equipment.

ACQUISITIONS AND INVESTMENTS

In February 2012, the Group completed the acquisition of 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.

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 Rakuraku Technologies Inc. for a consideration of JPY45 million in March 2012.

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

As at 31 December 2012, the Group's bank loans of RMB13.1 million was secured by mortgages over the Group's properties in Beijing, the PRC, guarantees from Shanghai Gezhi Advertising Co., Ltd, a subsidiary of the Group. In addition, the Group's bank loan of RMB8.4 million was secured by pledged deposit.

As at 31 December 2012, the Group's printing credit line in an amount of approximately RMB23.0 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 2012.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2012, the Group had a total of 1,057 staff (2011: 973 staff), total staff costs (including Directors' remuneration) were approximately RMB207.9 million (2011: RMB167.4 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 the business combinations in 2012.

To recognize and reward the contribution of eligible employees for contributing to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an employee share award plan on 3 December 2009. The Plan has become effective on 7 December 2009. The Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the year ended 31 December 2012, 430,000 shares were awarded and vested to selected employees, under the Share Award Plan, as approved by the Board of Directors of the Company.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2012 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 2012 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 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 applied the principles set out in the former Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "CG Code").

The Directors are of the opinion that the Company had complied with the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules throughout the year of 2012. The Group also adhered to the recommended best practices of the CG Code insofar as they are relevant and practicable during the same year.

AUDIT COMMITTEE

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

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 2012 with management, the internal auditor and the external auditor. The Audit Committee has also reviewed the annual results for the year ended 31 December 2012.

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 2012.

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

The Company's annual report for the year 2012 will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.modernmedia.com.cn in due course.

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

Hong Kong, 19 March 2013

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.