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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 2013**

### **FINANCIAL HIGHLIGHTS**

|                            | <b>Six months<br/>ended<br/>30 June 2013</b> | <b>Six months<br/>ended<br/>30 June 2013</b> | <b>Six months<br/>ended<br/>30 June 2012</b> |
|----------------------------|----------------------------------------------|----------------------------------------------|----------------------------------------------|
|                            | <i>HK\$'000*</i>                             | <i>RMB'000</i>                               | <i>RMB'000</i>                               |
|                            | <i>(Unaudited)</i>                           | <i>(Unaudited)</i>                           | <i>(Unaudited)</i>                           |
| Turnover                   | 340,905                                      | 271,356                                      | 294,721                                      |
| Profit for the period      | 4,005                                        | 3,188                                        | 14,722                                       |
| Earnings per share — basic | HK\$0.009                                    | RMB0.007                                     | RMB0.034                                     |

\* The above amounts are translated into Hong Kong dollars ("HK\$") at the rate of HK\$1.2563 to RMB1.

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2013.

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 2013 (the “Interim Period”) together with comparative figures for the corresponding period in 2012, as follows:

**Consolidated statement of comprehensive income**

For the six months ended 30 June 2013 — unaudited

(Expressed in Renminbi)

|                                                                                      | Note | Six months ended 30 June<br>2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
|--------------------------------------------------------------------------------------|------|------------------------------------------------------------|--------------------------------|
| <b>Turnover</b>                                                                      | 3, 4 | <b>271,356</b>                                             | 294,721                        |
| Cost of sales                                                                        |      | <b>(128,346)</b>                                           | (131,644)                      |
| <b>Gross profit</b>                                                                  |      | <b>143,010</b>                                             | 163,077                        |
| Other revenue                                                                        |      | <b>1,332</b>                                               | 1,150                          |
| Other net (loss)/income                                                              |      | <b>(22)</b>                                                | 62                             |
| Selling and distribution expenses                                                    |      | <b>(62,948)</b>                                            | (70,282)                       |
| Administrative and other operating expenses                                          |      | <b>(74,238)</b>                                            | (71,004)                       |
| <b>Profit from operations</b>                                                        |      | <b>7,134</b>                                               | 23,003                         |
| Finance costs                                                                        | 5(a) | <b>(1,042)</b>                                             | (1,713)                        |
| Share of (loss)/profit of associates                                                 |      | <b>(151)</b>                                               | 363                            |
| Share of profit of joint venture                                                     |      | <b>3</b>                                                   | 207                            |
| <b>Profit before taxation</b>                                                        | 5    | <b>5,944</b>                                               | 21,860                         |
| Income tax                                                                           | 6    | <b>(2,756)</b>                                             | (7,138)                        |
| <b>Profit for the period</b>                                                         |      | <b>3,188</b>                                               | 14,722                         |
| <b>Other comprehensive income for the period</b>                                     |      |                                                            |                                |
| <i>Items that may be reclassified subsequently to profit or loss:</i>                |      |                                                            |                                |
| Share of other comprehensive income of an overseas associate                         |      | <b>(220)</b>                                               | —                              |
| Exchange differences on translation of financial statements of overseas subsidiaries |      | <b>(138)</b>                                               | 296                            |
| <b>Total comprehensive income for the period</b>                                     |      | <b>2,830</b>                                               | 15,018                         |
| <b>Profit attributable to equity shareholders</b>                                    |      | <b>3,188</b>                                               | 14,722                         |
| <b>Total comprehensive income attributable to equity shareholders</b>                |      | <b>2,830</b>                                               | 15,018                         |
| <b>Earnings per share (RMB)</b>                                                      | 7    |                                                            |                                |
| Basic                                                                                |      | <b>RMB0.007</b>                                            | RMB0.034                       |
| Diluted                                                                              |      | <b>RMB0.007</b>                                            | RMB0.034                       |

**Consolidated statement of financial position**  
At 30 June 2013 — unaudited  
*(Expressed in Renminbi)*

|                                              | <i>Note</i> | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | <b>31 December<br/>2012<br/>RMB'000<br/>(Audited)</b> |
|----------------------------------------------|-------------|-----------------------------------------------------|-------------------------------------------------------|
| <b>Non-current assets</b>                    |             |                                                     |                                                       |
| Fixed assets                                 | 8           | 123,760                                             | 113,131                                               |
| Intangible assets                            | 9           | 23,569                                              | 15,749                                                |
| Goodwill                                     | 10          | 30,032                                              | 28,203                                                |
| Software development in progress             | 9           | 4,177                                               | 7,446                                                 |
| Interest in associates                       |             | 7,338                                               | 7,709                                                 |
| Interest in joint venture                    |             | 1,255                                               | 1,252                                                 |
| Investments                                  |             | 269                                                 | 269                                                   |
| Non-current prepayments                      | 8           | 6,949                                               | —                                                     |
| Deferred tax assets                          |             | 5,065                                               | 1,836                                                 |
|                                              |             | <u>202,414</u>                                      | <u>175,595</u>                                        |
| <b>Current assets</b>                        |             |                                                     |                                                       |
| Trade receivables                            | 11          | 196,983                                             | 214,283                                               |
| Other receivables, deposits and prepayments  |             | 64,776                                              | 65,373                                                |
| Deposits and cash                            |             | 90,489                                              | 140,500                                               |
|                                              |             | <u>352,248</u>                                      | <u>420,156</u>                                        |
| <b>Current liabilities</b>                   |             |                                                     |                                                       |
| Trade payables                               | 12          | 24,580                                              | 19,850                                                |
| Other payables and accruals                  |             | 62,257                                              | 78,776                                                |
| Amount due to an associate                   |             | 706                                                 | 1,142                                                 |
| Bank loans                                   |             | 31,564                                              | 34,014                                                |
| Taxation payable                             |             | 13,016                                              | 28,411                                                |
|                                              |             | <u>132,123</u>                                      | <u>162,193</u>                                        |
| <b>Net current assets</b>                    |             | <u>220,125</u>                                      | <u>257,963</u>                                        |
| <b>Total assets less current liabilities</b> |             | <u>422,539</u>                                      | <u>433,558</u>                                        |
| <b>Non-current liabilities</b>               |             |                                                     |                                                       |
| Bank loans                                   |             | (10,432)                                            | (11,350)                                              |
| Deferred tax liabilities                     |             | (1,921)                                             | (1,942)                                               |
|                                              |             | <u>(12,353)</u>                                     | <u>(13,292)</u>                                       |
| <b>NET ASSETS</b>                            |             | <u>410,186</u>                                      | <u>420,266</u>                                        |
| <b>CAPITAL AND RESERVES</b>                  | 13          |                                                     |                                                       |
| Share capital                                |             | 3,848                                               | 3,848                                                 |
| Reserves                                     |             | 406,338                                             | 416,418                                               |
| <b>TOTAL EQUITY</b>                          |             | <u>410,186</u>                                      | <u>420,266</u>                                        |

## 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 Floor 4, Willow House, Cricket Square, P.O. Box 2804, 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 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 2012 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 2012 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 19 March 2013.

## 2 Changes in accounting policies

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

- Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 11, *Joint arrangements*
- *Annual Improvements to IFRSs 2009–2011 Cycle*

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

### ***Amendments to IAS 1, Presentation of financial statements — Presentation of items of other comprehensive income***

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

### ***IFRS 10, Consolidated financial statements***

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

### ***IFRS 11, Joint arrangements***

IFRS 11, which replaces IAS 31, *Interests in joint ventures*, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under IFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under IFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice.

The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

## *Annual Improvements to IFRSs 2009–2011 Cycle*

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them IAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets in note 3. However, the Group does not disclose segment liabilities on the basis that the amounts are not regularly provided to the CODM.

### **3 Segment reporting**

The Group has three (2012 (restated): three) reportable segments as described below, which are the Group's strategic business units. During the six months ended 30 June 2013, internal management reports have been reviewed and adjusted by the Group's management to aggregate the print media advertising and circulation into print media segment to reflect the financial performance of print media business as a whole. 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: this segment engages in the sale of advertising space in, the publication of and the distribution of the Group's magazines.

The Group's print media business was previously segregated into two reportable segments of print media advertising and circulation. These two reportable segments are re-grouped as "Print media" segment to conform with the internal management reporting. The comparative figures have been restated accordingly.

- 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 production of customized contents for brand advertisers.

Prior to the change in the operating strategy of the Group's television business unit, this segment previously engaged in sales or air-time television advertisements, sales of product placement advertisements within the television programs, and syndication income from distribution 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 progress 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, 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 each of 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 joint venture 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 2013 and 2012 is set out below:

| <b>Six months ended 30 June 2013 (unaudited)</b>                          |                                    |                                      |                               |                          |
|---------------------------------------------------------------------------|------------------------------------|--------------------------------------|-------------------------------|--------------------------|
|                                                                           | <b>Print<br/>media<br/>RMB'000</b> | <b>Digital<br/>media<br/>RMB'000</b> | <b>Television<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
| Reportable segment revenue derived<br>from the Group's external customers | <b>255,222</b>                     | <b>14,789</b>                        | <b>3,946</b>                  | <b>273,957</b>           |
| Inter-segment revenue                                                     | <b>–</b>                           | <b>894</b>                           | <b>–</b>                      | <b>894</b>               |
| Reportable segment revenue                                                | <b>255,222</b>                     | <b>15,683</b>                        | <b>3,946</b>                  | <b>274,851</b>           |
| Reportable segment profit/(loss)                                          | <b>21,153</b>                      | <b>(4,515)</b>                       | <b>(2,654)</b>                | <b>13,984</b>            |
| Depreciation for the period                                               | <b>(7,617)</b>                     | <b>(438)</b>                         | <b>(1,211)</b>                | <b>(9,266)</b>           |
| Amortisation for the period                                               | <b>(225)</b>                       | <b>(3,635)</b>                       | <b>–</b>                      | <b>(3,860)</b>           |
| Reportable segment assets<br>as at 30 June 2013                           | <b>290,262</b>                     | <b>74,648</b>                        | <b>8,371</b>                  | <b>373,281</b>           |
| <b>Six months ended 30 June 2012<br/>(unaudited) (restated)</b>           |                                    |                                      |                               |                          |
|                                                                           | <b>Print<br/>media<br/>RMB'000</b> | <b>Digital<br/>media<br/>RMB'000</b> | <b>Television<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
| Reportable segment revenue derived<br>from the Group's external customers | <b>283,677</b>                     | <b>14,929</b>                        | <b>1,716</b>                  | <b>300,322</b>           |
| Reportable segment profit/(loss)                                          | <b>32,782</b>                      | <b>4,359</b>                         | <b>(7,589)</b>                | <b>29,552</b>            |
| Depreciation for the period                                               | <b>(7,991)</b>                     | <b>(682)</b>                         | <b>(1,161)</b>                | <b>(9,834)</b>           |
| Amortisation for the period                                               | <b>(254)</b>                       | <b>(1,916)</b>                       | <b>–</b>                      | <b>(2,170)</b>           |
| Reportable segment assets<br>as at 31 December 2012                       | <b>295,332</b>                     | <b>73,035</b>                        | <b>6,984</b>                  | <b>375,351</b>           |

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

|                                                                        | Six months ended 30 June |                |
|------------------------------------------------------------------------|--------------------------|----------------|
|                                                                        | 2013                     | 2012           |
|                                                                        | RMB'000                  | RMB'000        |
|                                                                        | (Unaudited)              | (Unaudited)    |
| <b>Revenue</b>                                                         |                          |                |
| Reportable segment revenue derived from the Group's external customers | 273,957                  | 300,322        |
| Other income                                                           | 6,249                    | 5,330          |
| Less: Sales taxes and other surcharges                                 | (8,850)                  | (10,931)       |
|                                                                        | <u>271,356</u>           | <u>294,721</u> |
| Consolidated turnover                                                  | <u>271,356</u>           | <u>294,721</u> |
|                                                                        |                          |                |
|                                                                        | Six months ended 30 June |                |
|                                                                        | 2013                     | 2012           |
|                                                                        | RMB'000                  | RMB'000        |
|                                                                        | (Unaudited)              | (Unaudited)    |
| <b>Profit</b>                                                          |                          |                |
| Reportable segment profit derived from the Group's external customers  | 13,984                   | 29,552         |
| Other income                                                           | 6,249                    | 5,330          |
| Share of (loss)/profit of associates                                   | (151)                    | 363            |
| Share of profit of joint venture                                       | 3                        | 207            |
| Unallocated head office and corporate expenses ( <i>note</i> )         | (14,141)                 | (13,592)       |
|                                                                        | <u>5,944</u>             | <u>21,860</u>  |
| Consolidated profit before taxation                                    | <u>5,944</u>             | <u>21,860</u>  |

*Note:* Depreciation of RMB896,000 and RMB289,000 is included in unallocated head office and corporate expenses for the six months ended 30 June 2013 and 2012 respectively.

Amortisation of RMB214,000 and RMB Nil is included in unallocated head office and corporate expenses for the six months ended 30 June 2013 and 2012 respectively.

Interest income of RMB529,000 and RMB742,000 is included in unallocated head office and corporate expenses for the six months ended 30 June 2013 and 2012 respectively.

Interest expenses of RMB1,042,000 and RMB1,713,000 is included in unallocated head office and corporate expenses for the six months ended 30 June 2013 and 2012 respectively.

|                                             | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | <b>31 December<br/>2012<br/>RMB'000<br/>(Audited)</b> |
|---------------------------------------------|-----------------------------------------------------|-------------------------------------------------------|
| <b>Assets</b>                               |                                                     |                                                       |
| Reportable segment assets                   | <b>373,281</b>                                      | 375,351                                               |
| Corporate and unallocated assets            | <b>5,240</b>                                        | 3,461                                                 |
| Interests in associates                     | <b>7,338</b>                                        | 7,709                                                 |
| Interest in joint venture                   | <b>1,255</b>                                        | 1,252                                                 |
| Investments                                 | <b>269</b>                                          | 269                                                   |
| Non-current prepayments                     | <b>6,949</b>                                        | –                                                     |
| Deferred tax assets                         | <b>5,065</b>                                        | 1,836                                                 |
| Other receivables, deposits and prepayments | <b>64,776</b>                                       | 65,373                                                |
| Deposits and cash                           | <b>90,489</b>                                       | 140,500                                               |
|                                             | <hr/>                                               | <hr/>                                                 |
| Consolidated total assets                   | <b>554,662</b>                                      | 595,751                                               |
|                                             | <hr/>                                               | <hr/>                                                 |

#### **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.

|                                                      | <b>Six months ended 30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | <b>2012<br/>RMB'000<br/>(Unaudited)</b> |
|------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------------|
| Advertising income                                   | <b>256,489</b>                                                       | 284,787                                 |
| Circulation income                                   | <b>8,631</b>                                                         | 10,224                                  |
| TV production, sponsorship, event and service income | <b>15,086</b>                                                        | 10,641                                  |
|                                                      | <hr/>                                                                | <hr/>                                   |
|                                                      | <b>280,206</b>                                                       | 305,652                                 |
| Less: Sales taxes and other surcharges               | <b>(8,850)</b>                                                       | (10,931)                                |
|                                                      | <hr/>                                                                | <hr/>                                   |
|                                                      | <b>271,356</b>                                                       | 294,721                                 |
|                                                      | <hr/>                                                                | <hr/>                                   |

## 5 Profit before taxation

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

|                                                     | <b>Six months ended 30 June</b> |                    |
|-----------------------------------------------------|---------------------------------|--------------------|
|                                                     | <b>2013</b>                     | <b>2012</b>        |
|                                                     | <b>RMB'000</b>                  | <b>RMB'000</b>     |
|                                                     | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>(a) Finance costs</b>                            |                                 |                    |
| Interest charged on                                 |                                 |                    |
| — Bank loans repayable within 5 years               | <b>588</b>                      | 1,163              |
| — Bank loans repayable after 5 years                | <b>454</b>                      | 550                |
|                                                     | <b>1,042</b>                    | 1,713              |
| <b>(b) Other items</b>                              |                                 |                    |
| Depreciation of fixed assets                        | <b>10,162</b>                   | 10,123             |
| Amortisation of intangible assets ( <i>note 9</i> ) | <b>4,074</b>                    | 2,170              |
| Impairment losses on trade receivables, net         | <b>116</b>                      | 167                |
| Operating lease charges in respect of properties    | <b>12,051</b>                   | 11,595             |
| Interest income from bank deposits                  | <b>(529)</b>                    | (742)              |
| Net foreign exchange loss/(gain)                    | <b>4</b>                        | (73)               |

## 6 Income tax

|                                                  | <b>Six months ended 30 June</b> |                    |
|--------------------------------------------------|---------------------------------|--------------------|
|                                                  | <b>2013</b>                     | <b>2012</b>        |
|                                                  | <b>RMB'000</b>                  | <b>RMB'000</b>     |
|                                                  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <b>Current tax — PRC Corporate Income Tax</b>    |                                 |                    |
| Provision for the period                         | <b>2,343</b>                    | 5,834              |
| Under/(over)-provision in respect of prior years | <b>3,008</b>                    | (374)              |
|                                                  | <b>5,351</b>                    | 5,460              |
| <b>PRC withholding tax</b>                       | <b>663</b>                      | —                  |
| <b>Deferred tax</b>                              |                                 |                    |
| Origination of temporary differences             | <b>(3,258)</b>                  | 1,678              |
|                                                  | <b>2,756</b>                    | 7,138              |

*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 provision for PRC Corporate Income Tax for the six months ended 30 June 2013 and 2012 is 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.

- (iii) The provision for Hong Kong Profits Tax for the six months ended 30 June 2013 and 2012 is calculated at 16.5% of the estimated assessable profits for the respective periods. 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 period or the subsidiaries have no estimated assessable profits in Hong Kong.
- (iv) No tax attributable to associates and joint venture for the six months ended 30 June 2013 and 2012 is included in the shares of results of associates and joint venture respectively.

## 7 Earnings per share

### (a) Basic 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) of 433,864,000 shares (2012: 432,244,000 shares) calculated as follows:

|                                                       | 2013<br>'000<br>(Unaudited) | 2012<br>'000<br>(Unaudited) |
|-------------------------------------------------------|-----------------------------|-----------------------------|
| Issued ordinary shares as at 1 January                | 437,850                     | 437,850                     |
| Effect of shares held for share award scheme          | (3,986)                     | (5,606)                     |
|                                                       | <u>433,864</u>              | <u>432,244</u>              |
| Weighted average number of ordinary shares at 30 June | <u>433,864</u>              | <u>432,244</u>              |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company, and the weighted average number of ordinary shares of 434,405,000 shares (2012: 432,244,000 shares), calculated as follows:

|                                                                                                                       | 2013<br>'000<br>(Unaudited) | 2012<br>'000<br>(Unaudited) |
|-----------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|
| Weighted average number of ordinary shares at 30 June                                                                 | 433,864                     | 432,244                     |
| Effect of deemed issue of shares for nil consideration with respect to the Linkchic Acquisition ( <i>Note 13(c)</i> ) | 541                         | –                           |
|                                                                                                                       | <u>434,405</u>              | <u>432,244</u>              |
| Weighted average number of ordinary shares (diluted) at 30 June                                                       | <u>434,405</u>              | <u>432,244</u>              |

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

## 8 Fixed assets and non-current prepayments

During the six months ended 30 June 2013, the Group acquired items of fixed assets in aggregate amounts of RMB20,881,000, which primarily consists of land and buildings held for own use, furniture and fixtures and office equipment amounting to RMB11,851,000, RMB3,822,000 and RMB4,729,000 respectively.

Non-current prepayments at 30 June 2013 comprised largely of (a) prepayments of RMB1,789,000 incurred on computer equipment which are expected to complete installation by end of 2013 and (b) deposits paid in respect of the acquisition of 20% equity interests of Tianjin Holiday Media Development Co., Ltd of RMB3,160,000.

## 9 Intangible assets

|                                                                                   | Publishing<br>rights<br><i>RMB'000</i> | Customer<br>relationship<br><i>RMB'000</i> | Domain and<br>IT platform<br><i>RMB'000</i> | Computer<br>software<br>systems<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
|-----------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------|---------------------------------------------|---------------------------------------------------|--------------------------|-------------------------|
| <b>Cost:</b>                                                                      |                                        |                                            |                                             |                                                   |                          |                         |
| At 1 January 2013                                                                 | 3,000                                  | 10,382                                     | 4,239                                       | 3,486                                             | 2,175                    | 23,282                  |
| Exchange differences                                                              | —                                      | —                                          | —                                           | (68)                                              | (16)                     | (84)                    |
| Additions ( <i>note</i> )                                                         | —                                      | —                                          | —                                           | 8,376                                             | —                        | 8,376                   |
| Arising from business<br>combination ( <i>note 17</i> )<br>— Linkchic Acquisition | —                                      | —                                          | 3,590                                       | —                                                 | —                        | 3,590                   |
| At 30 June 2013                                                                   | 3,000                                  | 10,382                                     | 7,829                                       | 11,794                                            | 2,159                    | 35,164                  |
| <b>Accumulated amortisation:</b>                                                  |                                        |                                            |                                             |                                                   |                          |                         |
| At 1 January 2013                                                                 | 1,725                                  | 4,020                                      | 718                                         | 127                                               | 943                      | 7,533                   |
| Exchange differences                                                              | —                                      | —                                          | —                                           | (8)                                               | (4)                      | (12)                    |
| Charge for the period                                                             | 225                                    | 1,512                                      | 508                                         | 1,734                                             | 95                       | 4,074                   |
| At 30 June 2013                                                                   | 1,950                                  | 5,532                                      | 1,226                                       | 1,853                                             | 1,034                    | 11,595                  |
| <b>Net book value:</b>                                                            |                                        |                                            |                                             |                                                   |                          |                         |
| At 30 June 2013 (unaudited)                                                       | 1,050                                  | 4,850                                      | 6,603                                       | 9,941                                             | 1,125                    | 23,569                  |
| At 31 December 2012<br>(audited)                                                  | 1,275                                  | 6,362                                      | 3,521                                       | 3,359                                             | 1,232                    | 15,749                  |

*Note:* During the six months ended 30 June 2013, software development in progress of RMB8,376,000 have been completed and transferred to intangible assets.

## 10 Goodwill

|                                           | 2013<br><i>RMB'000</i><br>(Unaudited) | 2012<br><i>RMB'000</i><br>(Audited) |
|-------------------------------------------|---------------------------------------|-------------------------------------|
| At 1 January                              | 28,203                                | 12,961                              |
| Arising from business combination         |                                       |                                     |
| — Mobilezine Acquisition                  | —                                     | 2,399                               |
| — Website Acquisition                     | —                                     | 12,843                              |
| — Linkchic Acquisition ( <i>note 17</i> ) | 1,829                                 | —                                   |
| At 30 June/31 December                    | 30,032                                | 28,203                              |

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

|                         | At<br>30 June<br>2013<br><i>RMB'000</i><br>(Unaudited) | At<br>31 December<br>2012<br><i>RMB'000</i><br>(Audited) |
|-------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Digital media — the PRC | <u>30,032</u>                                          | <u>28,203</u>                                            |

## 11 Trade receivables

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

|                                    | At<br>30 June<br>2013<br><i>RMB'000</i><br>(Unaudited) | At<br>31 December<br>2012<br><i>RMB'000</i><br>(Audited) |
|------------------------------------|--------------------------------------------------------|----------------------------------------------------------|
| Within 30 days                     | 56,593                                                 | 87,659                                                   |
| 31 days to 90 days                 | 88,141                                                 | 74,847                                                   |
| 91 days to 180 days                | 38,629                                                 | 37,480                                                   |
| More than 180 days                 | <u>15,396</u>                                          | <u>15,968</u>                                            |
|                                    | 198,759                                                | 215,954                                                  |
| Less: Allowance for doubtful debts | <u>(1,776)</u>                                         | <u>(1,671)</u>                                           |
|                                    | <u>196,983</u>                                         | <u>214,283</u>                                           |

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.

## 12 Trade payables

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

|                     | At<br>30 June<br>2013<br><i>RMB'000</i><br>(Unaudited) | At<br>31 December<br>2012<br><i>RMB'000</i><br>(Audited) |
|---------------------|--------------------------------------------------------|----------------------------------------------------------|
| Within 30 days      | 13,709                                                 | 9,439                                                    |
| 31 days to 90 days  | 5,255                                                  | 9,227                                                    |
| 91 days to 180 days | 5,616                                                  | 1,148                                                    |
| More than 180 days  | <u>—</u>                                               | <u>36</u>                                                |
|                     | <u>24,580</u>                                          | <u>19,850</u>                                            |

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

### 13 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

|                                       | At<br>30 June<br>2013<br>'000<br>(Unaudited) | At<br>31 December<br>2012<br>'000<br>(Audited) |
|---------------------------------------|----------------------------------------------|------------------------------------------------|
| <b>Authorised:</b>                    |                                              |                                                |
| 8,000,000,000 shares of HK\$0.01 each | <u><b>HK\$80,000</b></u>                     | <u>HK\$80,000</u>                              |
| Equivalent to                         | <u><b>RMB70,485</b></u>                      | <u>RMB70,485</u>                               |
| <b>Issued and fully paid:</b>         |                                              |                                                |
| 437,850,000 shares of HK\$0.01 each   | <u><b>HK\$4,379</b></u>                      | <u>HK\$4,379</u>                               |
| Equivalent to                         | <u><b>RMB3,848</b></u>                       | <u>RMB3,848</u>                                |

#### (b) Dividends

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

|                                                                                                                                                                                     | Six months ended 30 June<br>2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|--------------------------------|
| Final dividend in respect of the previous financial year of<br>HK5.50 cents (equivalent to RMB4.40 cents) per share<br>(2012: HK3.50 cents (equivalent to RMB2.85 cents) per share) | <u><b>19,168</b></u>                                       | <u>12,493</u>                  |

(c) *Equity settled share-based transactions*

During the six months ended 30 June 2013, 3,025,000 shares (2012: 430,000 shares) were awarded to selected employees, under the Company's Share Award Scheme (the "Award Scheme"), as approved by the Board of Directors of the Company. These awarded shares were vested immediately.

During the six months ended 30 June 2013, an aggregate of 1,076,000 shares were awarded to selected employees with respect to the acquisition of Linkchic as set out in note 17. These awarded shares are to be vested subject to vesting condition over service periods of one to three years from the date of award. At 30 June 2013, these awarded shares were unvested. Upon fulfilment of the vesting condition, new shares will be issued to the selected employees for nil consideration.

Other than disclosed above, there were no other outstanding unvested awarded shares at 30 June 2013 (30 June 2012: Nil).

- (i) Details of the shares awarded under the Award Scheme and the Linkchic Acquisition (as defined hereinafter) (the "Awarded Shares") during the six months ended 30 June 2013 are as follows:

| Vesting date  | Date of award | Number of<br>Awarded<br>Shares<br>awarded | Average fair value<br>per share |      | Cost of related<br>Awarded Shares |         |
|---------------|---------------|-------------------------------------------|---------------------------------|------|-----------------------------------|---------|
|               |               |                                           | HK\$                            | RMB  | HK\$'000                          | RMB'000 |
| 16 April 2013 | 25 March 2013 | 2,975,000                                 | 2.35                            | 1.89 | 6,991                             | 5,639   |
| 13 June 2013  | 20 May 2013   | 50,000                                    | 2.35                            | 1.89 | 118                               | 95      |
|               |               | 3,025,000                                 |                                 |      | 7,109                             | 5,734   |
| 13 May 2014   | 1 April 2013  | 360,000                                   | 2.40                            | 1.93 | 864                               | 696     |
| 13 May 2015   | 1 April 2013  | 360,000                                   | 2.40                            | 1.93 | 864                               | 696     |
| 13 May 2016   | 1 April 2013  | 356,000                                   | 2.40                            | 1.93 | 854                               | 688     |
|               |               |                                           |                                 |      | 9,691                             | 7,814   |

- (ii) The remaining vesting periods of the Awarded Shares awarded outstanding at 30 June 2013 are as follows:

| At 30 June 2013   |                             |                                               |
|-------------------|-----------------------------|-----------------------------------------------|
|                   | Remaining<br>vesting period | Number of<br>Awarded<br>Shares<br>outstanding |
| Shares awarded in |                             |                                               |
| — April 2013      | To 13 May 2014              | 360,000                                       |
| — April 2013      | To 13 May 2015              | 360,000                                       |
| — April 2013      | To 13 May 2016              | 356,000                                       |
|                   |                             | 1,076,000                                     |

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

|                                   | <b>2013</b><br><b>(unaudited)</b> |                          | <b>2012</b><br><b>(audited)</b>  |                          |
|-----------------------------------|-----------------------------------|--------------------------|----------------------------------|--------------------------|
|                                   | <b>Number of<br/>shares held</b>  | <b>Value<br/>RMB'000</b> | <b>Number of<br/>shares held</b> | <b>Value<br/>RMB'000</b> |
| At 1 January                      | <b>5,240,000</b>                  | <b>6,124</b>             | 5,670,000                        | 7,177                    |
| Dividend reinvested to the scheme | —                                 | (232)                    | —                                | (149)                    |
| Shares vested during the period   | <b>(3,025,000)</b>                | <b>(3,384)</b>           | (430,000)                        | (904)                    |
| At 30 June/31 December            | <b><u>2,215,000</u></b>           | <b><u>2,508</u></b>      | <b><u>5,240,000</u></b>          | <b><u>6,124</u></b>      |

During the six months ended 30 June 2013, no share of the Company (2012: no shares) was purchased by the controlled special purpose entity.

## 14 Commitments

### (a) Capital commitments

At 30 June 2013, capital commitments outstanding but not provided for in the interim financial report are as follows:

|                                   | <b>At<br/>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | <b>At<br/>31 December<br/>2012<br/>RMB'000<br/>(Audited)</b> |
|-----------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| Authorised but not contracted for | <b>1,000</b>                                               | 7,500                                                        |
| Contracted for                    | <b><u>5,000</u></b>                                        | <u>—</u>                                                     |

In May 2013, the Group entered into an agreement to acquire 20% equity interests of Tianjin Holiday Media Development Co., Ltd. for a consideration of RMB8,160,000. At 30 June 2013, the Group paid deposits of RMB3,160,000 and the remaining RMB5,000,000 was included in “capital commitments”.

### (b) Operating lease commitments

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

|                                   | <b>At<br/>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | <b>At<br/>31 December<br/>2012<br/>RMB'000<br/>(Audited)</b> |
|-----------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| Leases expiring:                  |                                                            |                                                              |
| — Within 1 year                   | <b>24,650</b>                                              | 15,343                                                       |
| — After 1 year but within 5 years | <b><u>31,249</u></b>                                       | <u>9,227</u>                                                 |
|                                   | <b><u>55,899</u></b>                                       | <u>24,570</u>                                                |

(c) *Other commitments*

At 30 June 2013, the total future minimum payments under non-cancellable licensing agreements for international cooperation titles are as follows:

|                                   | At<br>30 June<br>2013<br>RMB'000<br>(Unaudited) | At<br>31 December<br>2012<br>RMB'000<br>(Audited) |
|-----------------------------------|-------------------------------------------------|---------------------------------------------------|
| Licences expiring:                |                                                 |                                                   |
| — Within 1 year                   | 22,175                                          | 11,831                                            |
| — After 1 year but within 5 years | 82,633                                          | 37,322                                            |
| — After 5 years                   | 45,503                                          | 22,902                                            |
|                                   | <u>150,311</u>                                  | <u>72,055</u>                                     |

15 **Contingent liabilities**

At 30 June 2013, there are contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to bank loans and credit facilities up to RMB12,236,000 (2012: RMB13,090,000). 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 is RMB Nil (2012: RMB Nil).

At 30 June 2013, the Directors do not consider it is probable that a claim will be made against the Company under of the guarantees.

At 30 June 2013, the Group has no other material contingent liabilities.

16 **Material related party transactions**

(a) The Group entered into the following related party transactions during the six months ended 30 June 2013 and 2012:

|                                                           | Six months ended 30 June<br>2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
|-----------------------------------------------------------|------------------------------------------------------------|--------------------------------|
| <b>Recurring</b>                                          |                                                            |                                |
| Agency and commission income ( <i>note (i)</i> )          | —                                                          | 187                            |
| Licensing fee expenses ( <i>note (ii)</i> )               | —                                                          | (368)                          |
| Rental expenses ( <i>note (iii)</i> )                     | <u>(3,107)</u>                                             | <u>—</u>                       |
| <b>Non-recurring</b>                                      |                                                            |                                |
| Advertising income ( <i>note (iv)</i> )                   | 5,246                                                      | —                              |
| Development cost paid to an associate ( <i>note (v)</i> ) | <u>(1,630)</u>                                             | <u>(1,637)</u>                 |

Notes:

- (i) This represented agency and commission income receivable from a joint venture, 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. The agency contract was completed in 2012.

- (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. The agency contract was completed in 2012.
- (iii) This represented rental expenses payable to an entity controlled by a close family member of the Company's director for the lease of office premises in Shanghai. It is charged at a pre-determined rate mutually agreed, which is based on the market rent rates.
- (iv) This represented advertising income received from entities controlled by a close family member of the Company's director for certain advertisement placements on the Group's media platforms. It is charged at a pre-determined rate mutually agreed, which based on the market rates of the related services rendered.
- (v) This represented development cost paid to an associate, Rakuraku Technologies Inc., 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) Key management personnel remuneration**

|                                                 | <b>Six months ended 30 June</b> |                    |
|-------------------------------------------------|---------------------------------|--------------------|
|                                                 | <b>2013</b>                     | <b>2012</b>        |
|                                                 | <b>RMB'000</b>                  | <b>RMB'000</b>     |
|                                                 | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| Basic salaries, allowances and benefits in kind | <b>5,143</b>                    | 6,584              |
| Discretionary bonuses                           | <b>309</b>                      | 1,059              |
| Share-based payment under Share Award Scheme    | <b>2,935</b>                    | 714                |
| Retirement scheme contributions                 | <b>229</b>                      | 157                |
|                                                 | <b>8,616</b>                    | <b>8,514</b>       |

**17 Business combination**

- (a) In March 2013, the Group entered into an agreement with an independent third party to acquire 100% equity interests of Linkchic (Beijing) Network Technology Co., Ltd. ("Linkchic") (referred to as the "Linkchic Acquisition") for a cash consideration of RMB5,578,120 in cash and by the issue of the Company's shares to certain employees of Linkchic subject to certain vesting conditions as disclosed in the Company's announcement dated 23 April 2013.

The issuance of the Company's shares to the employees of Linkchic does not constitute as part of the consideration in the Linkchic Acquisition under IFRS 3, "*Business Combination*". It is considered as compensation to the employees of Linkchic and is accounted for in accordance with IFRS 2, "*Share-based payment*"(note 13(c)).

The principal activity of Linkchic is the provision of shopping guide platform in the PRC.

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

|                                     | <b>Carrying<br/>amount<br/>RMB'000</b> | <b>Fair value<br/>recognised on<br/>acquisition<br/>RMB'000</b> |
|-------------------------------------|----------------------------------------|-----------------------------------------------------------------|
| Fixed assets                        | 157                                    | 157                                                             |
| Intangible assets ( <i>note 9</i> ) | –                                      | 3,590                                                           |
| Receivables                         | 2                                      | 2                                                               |
| Payables                            | (184)                                  | –                                                               |
|                                     | <hr/>                                  | <hr/>                                                           |
| Net assets                          |                                        | 3,749                                                           |
| Goodwill ( <i>note 10</i> )         |                                        | 1,829                                                           |
|                                     |                                        | <hr/>                                                           |
|                                     |                                        | 5,578                                                           |
|                                     |                                        | <hr/> <hr/>                                                     |
| <b>Satisfied by:</b>                |                                        |                                                                 |
| Purchase consideration:             |                                        |                                                                 |
| — Cash paid                         |                                        | 5,578                                                           |
|                                     |                                        | <hr/> <hr/>                                                     |

Since the date of the acquisition to 30 June 2013, Linkchic contributed turnover and loss after tax of RMB10,000 and RMB580,000 respectively. Had the above acquisition taken place at the beginning of 2013, there would have been no significant impact on the Group's revenue and profit for the six months ended 30 June 2013.

**(b) Acquisition-related costs**

The Group incurred acquisition-related costs of RMB164,000 (2012: 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.

**18 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ending 31 December 2013**

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 2013 and which have not been adopted in the interim financial report.

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 has yet to shake off the fallout from the outbreak of financial turmoil in developed countries started from 2009. In the first half of 2013, the PRC economic growth suffered a slow down by merely achieving a growth rate of approximately 7.6%, and consumption is dramatically affected by the government policy implemented for advocating economization, especially in luxury expenditure. The operating environment within the PRC for both advertisers and media operators was challenging.

The Company and its subsidiaries (the “Group”) had recorded decreases in both revenue and profit during the six months ended 30th June 2013 (the “Interim Period”). The Group’s turnover in the Interim Period posted a drop by approximately 7.9% (2012: RMB294.7 million) to approximately RMB271.4 million as compared with the corresponding period in 2012. The decline of financial result was attributed to the fact that the Chinese government has been advocating for economization instead of implementing any concrete stimulative economic policies as expected, which leads to a slow down of public consumption that affected advertisement spending.

During the Interim Period, the Group reported a profit attributable to equity shareholders for the Interim Period of approximately RMB3.2 million (2012: RMB14.8 million) which represented a decrease of approximately 78.4% as compared with the same period of year 2012. In order to cope with such operating environment, the Group adopted a series of cost control measures, i.e. optimizing human resource structure and developing and upgrading automated system to reduce human resource capital etc. Although the Group might not achieve a desirable financial result during the Interim Period, the Group had successfully achieved a series of milestones in its development in multi-media expansions: (i) the Group has completed the strategic acquisition of a high-end media-driven shopping guide e-commerce platform “linkchic.com”. (ii) following the success of the Group’s flagship digital magazines “iWeekly” and “iBloomberg”, the Group launched a series of new mobile applications including “iLady”, “LC”, “iMetro” etc. (iii) the Group has implemented the content upgrade and technical upgrade of “iWeekly”.

### (A) BUSINESS REVIEW

#### **Advertising**

During the Interim Period, print media remained the dominant contributor of the Group’s advertising revenue, while digital-media continues to generate incremental revenues.

#### ***Print Media***

The Group commenced the year 2013 with two national weekly, one national bi-weekly, two local weekly, five monthly and two bi-monthly magazines in the PRC and Hong Kong. In June 2013, the Group launched a weekly business magazine, namely “Bloomberg Businessweek/Traditional Chinese Edition”, in Hong Kong.

During the Interim Period, the Group's portfolio of magazine titles contributed to the advertising revenue of approximately RMB246.6 million (2012: RMB273.5 million), which recorded a decrease of approximately 9.8% as compared to the corresponding period in 2012.

The growth of consumption in retail business in the PRC suffered from a slowdown in the first half of 2013, in which the auto industry achieved a growth of 8.8% (first half of 2012: 9.1%), the fashion industry achieved a growth of 11.9% (first half of 2012: 16.9%), and the cosmetics industry achieved a growth of 12.7% (first half of 2012: 16.3%). The advertisement market hence experiences a lackluster performance given to the sluggishness in retail business. In the first half of 2013, total advertising market of print category suffered a distinct decrease of 7.9%.

*\* Remarks: Retail information in the above paragraph is extracted from Commodity Market Research produced by the National Bureau of Statistics of China; advertising information from this paragraph is extracted from Advertising Expenditure Report of First Half of 2013 produced by Meihua Information.*

Despite the aforesaid situation in the advertising market, the Group's core print business managed to deliver a reasonable performance in the Interim Period. The revenue of our flagship magazine, "Modern Weekly" was only slightly affected by the economic slowdown in the PRC, and maintained No. 1 in the weekly magazine market according to an audit report by Admango. It remained as the favorable choice of print media brand advertisers while most of print competitors suffered deeply in this marginal growth environment. Moreover, we had launched The Art Newspaper, a well-famed art informative newspaper, as periodical supplement to "Modern Weekly" and "City Magazine", which has attracted new advertisement clients to our current client portfolio, i.e. international auction house, gallery etc, and generated incremental revenue.

"Modern Lady Weekly", another flagship magazine of the Group, maintained the same advertising revenue level when compared with the same period of last year. It also continues to stand a very strong position in terms of circulation among all magazines with the No. 1 ranking. The Group expects to launch a series of marketing campaigns in the second half of 2013 and it is confident that "Modern Lady Weekly" will pick up its growth momentum as in the past few years.

"Bloomberg Businessweek/China" (Simplified Chinese edition) has achieved an outstanding advertising performance across all industry segments as shown by a double-digit growth in its advertising revenue as compared to the corresponding period in 2012. By comparing with 40 other business and financial magazines, it ranked No. 7 regarding advertisement revenue in all categories, versus No. 10 in the first half of 2012. Leveraging the successful model of the Simplified Chinese edition in the PRC, the Group launched "Bloomberg Businessweek/Traditional Chinese Edition" in June 2013 in Hong Kong to meet our target to position as a regional publisher. We are confident that it will replicate its eye-catching success in the PRC market in the future.

Advertising revenues of other monthly magazines operated by the Group in the PRC have experienced a decrease when compared with the corresponding period in last year. The Group will continue to review monthly magazine portfolio and target to attain an optimal operating result in 2013 and onwards.

## ***Digital Media***

Despite reported high growth pace (27.4%) in the website and mobile digital application advertising market (“Overall Internet Ad Market”) during the Interim Period, we observed that the growth was mainly contributed by mainstream searching engine and niche category searching engine (i.e. Taobao, Qunar). Taking out the growth of the aforementioned categories, it is estimated that there was only single digit growth in the mobile digital media category. Advertisers are still building their placement habits towards mobile digital media. The Group’s digital media revenue recorded a 5.1% growth in the Interim Period of 2013 when compared with the same period of last year, which is in-line with the general market trends. With the Group’s strategy to expand the digital media, the Group has made capital expenditure of RMB4.9 million to develop new applications (i.e. “iBloomberg — Simplified Chinese edition”) and major upgrades on existing application (i.e. “iWeekly”).

*\* Remark: information in this paragraph is extracted from Internet Advertising Market Report 2013 Q2 served by iResearch.*

Up to the end of June 2013, the number of “iWeekly” downloads on smartphone and tablet reached approximately 5.60 million and 2.90 million respectively, a significant increase by 29% and 26% from the year-end of 2012. The advertising revenue of “iWeekly” during the Interim Period maintained almost the same level when compared with the corresponding period in last year. It continues to be recognized as one of the most successful Chinese media applications on both Apple iOS and Android platforms. “iWeekly” will also undergo a content revamp which will incorporate the selected contents from certain famous international media brands, i.e. “Agence France-Presse”, “New York Times”. This revamp will make it more global vision, and it will further enlarge the readers’ base and increase their adherence.

“iBloomberg — Simplified Chinese edition” has achieved a satisfactory result with a user base on smartphone and tablet reaching 2.35 million and 1.03 million respectively since its launch at the end of 2012. Moreover, “iBloomberg — Simplified Chinese edition” was awarded as one of the Best Apps for the year 2012 in Apple’s AppStore, and the iPhone version maintained Top 2 in Newsstand Top Grossing List in AppStore. It is believed that “iBloomberg — Simplified Chinese edition” will follow the successful footprint of “iWeekly” and become the income generator in our digital media business.

During the Interim Period, the Group’s revenue from “iBloomberg — Simplified Chinese edition”, “Metroer.com” and “Mobilezine” amounted to RMB1.1 million, RMB1.7 million and RMB1.2 million respectively. Given the expansion plan in progress, the Group’s digital media business experienced a temporary loss during the Interim Period. The Group’s management will closely monitor the financial performance of the digital media segment and take necessary measures to improve the loss position.

“iLady”, a comprehensive informative platform for elite women, has its newly launch in July 2013, has already accumulated more than 750,000 users, and the iPhone version maintained Top 3 in Newsstand Fashion & Style Category in AppStore.

We are confident that the continuous growing downloads of our app products will make us a leading digital platform, and will further generate considerable revenue accordingly.

## ***TV media***

Following the adjustment of business strategy in the second half of last year, TV media currently focuses on the customized production for its brand advertisers. TV media had already achieved a revenue of RMB3.9 million (2012: RMB1.7 million) during the Interim Period that represented a significant increase of approximately 235.3% when compared with that of last year. As such, the Directors believed that TV media is on the right track and will continue to deliver optimal operating results in the second half of 2013.

## **(B) BUSINESS OUTLOOK**

Looking forward, 2013 will be full of challenges for the Group. Economic conditions are expected to remain volatile owing to the long outstanding euro-zone sovereign debt crisis and the ongoing economical slowdown in the PRC. Those negative factors cast shadows on the consumption market, eventually affecting advertising placement. Unlike in the past few years, the PRC government has resisted to launch any major stimulus program in this year and only focused on maintaining stable economic growth, that is a GDP growth of around 7.0% to 7.5%. In response to the market downturn, the Group will be cautious and will continue to take necessary measures to prepare for this challenging period and devote more efforts as it has made in the previous years for the benefit of the Group and its shareholders.

### **(i) Print Media remained as the cornerstone of the Group's operation**

It is believed that the core print media business will have a recovery in the latter half of 2013. Firstly, based on the observation of market trend that the drop of advertisement expenditure in first half of 2013 narrowed to -7.9% from -10.4% of the first half of 2012, we believe that advertising market of the print category will perform better in the second half of 2013 than the same period of last year which was reported to be 14.2%. Besides, we expect that the PRC government somehow will implement some stimulus initiatives for the domestic economy that will resume its upward trend in the domestic retail by the end of this year.

*\* Remark: information from this paragraph is extracted from Advertising Expenditure Report of 1st Half of 2013 served Meihua Information.*

Secondly, we will further expand our publication portfolio. We launched “Bloomberg Businessweek/Traditional Chinese Edition” in June 2013 to meet our target to position as a regional publisher as planned. It will not only bring in additional advertising revenue but also enhance our market influence in the Greater China market, even the global Chinese publication market.

Thirdly, we will further enrich the content of our print titles through cooperation with New York Times, the Art Newspaper, Agence France-Presse etc, to strengthen our content value proposition to elite audience.

In conclusion, we have the confidence that our print media business will outperform the market average under the challenging economic conditions in 2013.

## **(ii) Mobile Media Shapes the Future of the Group**

The Group committed to expand its development in Mobile Media. The entire media world is becoming more digitalized. Both readers and advertisers are re-shaping their behavior according to this inevitable trend. The Group is exploiting measures to accommodate such trend.

### ***Continuously expanding digital media platform***

The Group will continue to develop its digital media platform through the launches of new media applications. During the Interim Period, new products, such as “iBloomberg” in traditional Chinese, “iLady” etc. were launched to attract additional on-line readers. By the end of the Interim Period, various mobile digital applications of the Group have attracted approximately 13 million download users, representing a sharp growth of 63% from the end of 2012. The growing readership basis of the Group’s digital media platform provides not only greater advertising potential, but also solid foundation for us to explore further business potentials.

### ***Upgraded products providing state-of-art digital media experience***

Besides launching new products, the Group also focuses on upgrading its products with new features in both contents and product design. Firstly, supported by more international content resources, such as New York Times, Agence France-Presse, our digital media content creation team are more confident in producing world-class contents with a global vision for the elite readers in the Greater China region.

Secondly, we will make the App Products more customized and video based. In digital era, brand clients tend to favour advertisement being more customized, editorial, creative design, and with multi-media display. Moreover, video advertisement performed well these days, contributing 6.7% of the Overall Internet Ad Market, and is expected to achieve a continuous growth in the future\*. We are leveraging our strong editorial, design, TV production experience to meet the aforesaid comprehensive needs of our brand clients. The share of video contents is expected to increase among our digital products in the future.

*\* Remark: information in paragraph is extracted from Internet Advertising Market Report 2013 Q2 served by iResearch.*

### ***Completed coverage of all existing operation systems***

Starting from iOS system, the Group’s product development strategies have extended to multiple operating systems. The Group has already established product development capabilities in iOS for both mobile phone and tablet, as well as Android and Windows 8 Platforms. Soon the Group will launch its first product in the RIM system for the Blackberry devices. Particularly, with the recent popularity of Android smart-phones (market share between Android and iOS terminals is 65% vs. 35%\*), the Group’s Android development has outperformed the iOS during the Interim Period. Number of Android users in the Group’s digital media platform grew 136%

compared to 56% of iOS users from year end of 2012. With a better coverage of multiple operation systems, the Group could secure its leading position in the mobile digital media industry.

*\* Remark: information of the terminal numbers in paragraph is derived from Chinese Mobile Terminal Market produced by Flurry Analytics.*

### ***Realizing synergy effect from integration of proprietary technical platforms***

Leveraging the experience from both Rakuraku (a Japanese based App development company) that we acquired 20% of its shares in March 2012 and an in-house technical team, the Group has upgraded and integrated the previously independent technical platforms into an integrated back-stage digital publishing system for various App Products. Apart from largely reducing the R&D cost, it also enables us to shorten the period for development of our mobile digital platform in the future.

In conclusion, the Group believes that mobile digital publishing is becoming a trend of the market. Its elite-focused mobile digital media platform will become a key revenue contributor in the near future. We are confident that the continuous growth of such mobile digital media platform will help to secure our leading position in the media industry in this period of industrial transition.

### **(iii) Further develop the e-commerce platform**

Further to the acquisition of Linkchic.com during the Interim Period, the Group quickly integrated Linkchic's on-line shopping guide capabilities into its digital media platform. The Group has first built a multi-media comprehensive lifestyle platform for elite women, providing targeted audiences one-stop "Read-use-buy" experience, through integrating "Modern Lady Weekly", "iLady" App, Linkchic.com, and Metroer.com. One obvious characteristic of this platform is that we can drive consumers' buying behaviors through content creation. The "ready-to-buy" feature of "iLady", which is powered by the shopping-guide searching engine of Linkchic.com, has helped the app to gain many attraction from targeted audiences, and became one of the most popular media apps in the market. We are confident that the media-driven shopping guide model will further attract brand clients and generate revenue through advertisement and transaction commissions. Moreover, we will ride on the wave of e-Commerce, exploring new on-line shopping business model in future, such as on-line market, e-Commercial in vertical categories.

## **DIVIDEND**

To preserve more financial resources in response to the imminent economic downturn, the Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013. The Directors will consider the payment of final dividend after evaluating the full-year financial performance of 2013. (2012: Nil).

## 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.

During the Interim Period, the Group recorded net cash inflow in operating activities of RMB13.5 million (2012: net cash outflow: RMB19.8 million). The changes in the net cashflow in operating activities was largely due to more timely settlement on trade receivables during the Interim Period. The Group recorded net cash outflow in investing activities of RMB38.5 million for the Interim Period largely due the investment in fixed assets of RMB20.9 million (2012: RMB13.4 million) including the purchase of leasehold property, furniture, fixtures and equipment for the Digital Media operation.

As of 30 June 2013, the Group had available banking facilities approximately RMB91.9 million and of which RMB42.0 million had been utilized. All its 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 2013, the Group's net cash was approximately RMB48.5 million which was made up of bank borrowings of approximately RMB42.0 million and bank deposits and cash of approximately RMB90.5 million. The gearing ratio as at 30 June 2013 was 7.6% (31 December 2012: 7.6%), which was calculated based on the total debts divided by total assets.

As at 30 June 2013, the total borrowings of the Group were repayable as follows:

|                                  | At<br>30 June<br>2013<br><i>RMB'000</i> | At<br>31 December<br>2012<br><i>RMB'000</i> |
|----------------------------------|-----------------------------------------|---------------------------------------------|
| Within 1 year or on demand       | <u>31,564</u>                           | <u>34,014</u>                               |
| After 1 year but within 2 years  | 1,939                                   | 1,870                                       |
| After 2 years but within 5 years | 6,725                                   | 6,488                                       |
| After 5 years                    | <u>1,768</u>                            | <u>2,992</u>                                |
|                                  | <u>10,432</u>                           | <u>11,350</u>                               |
|                                  | <u>41,996</u>                           | <u>45,364</u>                               |

## **Capital expenditure and commitment**

Capital expenditures of the Group for the Interim Period include expenditures on fixed assets, software development in progress and non-current prepayments of approximately RMB29.6 million (corresponding period of 2012: RMB13.4 million).

Other than disclosed in note 14 to the interim financial report, the Group did not have any other capital commitment at 30 June 2013.

## **ACQUISITIONS AND INVESTMENTS**

In April 2013, the Group announced that it had entered into an agreement to acquire 100% equity interests in 每城美客(北京)網絡科技有限公司 (Linkchic (Beijing) Network Technology Co. Ltd.\*) (“Linkchic”) for a consideration of RMB5,578,120. The acquisition of Linkchic was completed on 31 March 2013.

## **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 30 June 2013, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 30 June 2013, the Group’s bank loans of RMB12.2 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 RMB3.8 million was secured by pledged deposit.

As at 30 June 2013, the Group’s printing credit line in an amount of approximately RMB23.8 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 Interim Period.

## **EMPLOYEES**

As at 30 June 2013, the Group had a total of 1,095 staff (as at 31 December 2012: 1,057 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 acquisition of Linkchic and expansion of sales and editorial staff for “Bloomberg Businessweek/Traditional Chinese Edition”.

## **SHARE AWARD SCHEME**

Details of the Share Award Scheme adopted by the Company and the Awards made up to 30 June 2013 are set out in note 13(c) to the interim financial report.

## **SHARE OPTIONS**

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

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the Interim Period. No share option was outstanding under the Scheme as at 30 June 2013.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Interim Period.

## **CORPORATE GOVERNANCE**

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the Interim Period.

## **AUDIT COMMITTEE**

As at the date of this interim results 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 has reviewed the unaudited interim financial report for the six months ended 30 June 2013 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 Directors' Securities Transactions (the "Model Code") as its own code of conducts regarding directors' securities transaction. In response to a specific enquiry by the Company, all the Directors confirmed that they had complied 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, 15 August 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 non-executive director, Mr. Cheng Chi Kong; (c) as independent non-executive directors, Mr. Jiang Nanchun, Mr. Wang Shi, Mr. Au-Yeung Kwong Wah and Mr. Mao Xiaofeng.*