現代傳播
Modern Media

MODERN MEDIA HOLDINGS LIMITED

現代傳播控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 72)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

2018 *HK$'000**		**2018** *RMB'000*	2017 *RMB'000*	Variance
511,370	Revenue	**448,964**	435,608	3.1%
(39,261)	Loss for the year	**(34,470)**	(39,788)	-13.4%
	Loss per share			
(0.0924)	– Basic and diluted *(RMB)*	**(0.0811)**	(0.0883)	-8.2%
730,364	Total assets	**641,233**	653,190	-1.8%

The Board does not recommend the payment of final dividend (2017: nil) for the year ended 31 December 2018.

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.1390 to RMB1.

The board (the "**Board**") of directors (the "**Directors**") of Modern Media Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Year ended 31 December	
		2018	2017*
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**448,964**	435,608
Cost of sales	4	**(256,306)**	(253,327)
Gross profit		**192,658**	182,281
Other income		**2,848**	6,243
Other gains/(losses) – net		**959**	(1,224)
Distribution expenses	4	**(107,150)**	(100,440)
Administrative expenses	4	**(111,441)**	(119,220)
Operating loss		**(22,126)**	(32,360)
Finance income		**126**	195
Finance expenses		**(3,910)**	(4,311)
Finance expenses – net	5	**(3,784)**	(4,116)
Share of post-tax losses of associates	12	**(1,677)**	(961)
Share of post-tax losses of a joint venture		**(224)**	(17)
Impairment loss on interests in associates	12	**(3,698)**	–
Loss before income tax		**(31,509)**	(37,454)
Income tax expense	6	**(2,961)**	(2,334)
Loss for the year		**(34,470)**	(39,788)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**6,925**	(9,780)
Items that will not be subsequently reclassified to profit or loss			
Revaluation surplus upon transfer from property, plant and equipment to investment properties		**–**	21,953
Tax effect relating to revaluation surplus upon transfer from property, plant and equipment to investment properties		**–**	(5,488)
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(2,900)**	–
Other comprehensive income for the year		**4,025**	6,685
Total comprehensive loss for the year		**(30,445)**	(33,103)

	Notes	Year ended 31 December **2018** ***RMB'000***	 2017* *RMB'000*
(Loss)/Profit attributable to:			
– Owners of the Company		**(35,075)**	(38,264)
– Non-controlling interests		**605**	(1,524)
		(34,470)	(39,788)
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(32,022)**	(31,261)
– Non-controlling interests		**1,577**	(1,842)
		(30,445)	(33,103)
Loss per share attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	7	**(RMB0.0811)**	(RMB0.0883)

* *The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.1.1 for details.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	As at 31 December 2018 RMB'000	2017* RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**177,680**	149,734
Investment properties	10	**37,380**	36,590
Intangible assets	11	**48,056**	47,956
Goodwill		**32,041**	32,041
Software development in progress		**2,991**	6,217
Interests in associates	12	**4,106**	9,027
Interest in a joint venture		**276**	–
Financial assets at fair value through other comprehensive income	13(a)	**3,071**	–
Available-for-sale financial assets	13(b)	**–**	5,671
Prepayments for property, plant and equipment	14	**5,234**	–
Deferred income tax assets		**835**	971
		311,670	288,207
Current assets			
Trade and other receivables	14	**262,749**	273,410
Inventories	15	**48,896**	33,188
Cash and cash equivalents		**17,918**	58,385
		329,563	364,983
Current liabilities			
Trade and other payables	16	**57,335**	65,427
Contract liabilities	17	**14,908**	–
Current income tax liabilities		**8,815**	8,126
Borrowings	18	**101,108**	96,144
		182,166	169,697
Net current assets		**147,397**	195,286
Total assets less current liabilities		**459,067**	483,493
Non-current liabilities			
Deferred income tax liabilities		**7,020**	6,909
Net assets		**452,047**	476,584

		As at 31 December	
		2018	2017*
	Notes	***RMB'000***	*RMB'000*
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,853**	3,853
Reserves		**206,653**	198,551
Retained earnings		**187,903**	227,751
		398,409	430,155
Non-controlling interests		**53,638**	46,429
Total equity		**452,047**	476,584

* *The Group has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See Note 2.1.1 for details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Company 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 A2, 4/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 7/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Aberdeen, Hong Kong respectively. Its registered office is at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 9 September 2009.

The Group is principally engaged in the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation.

As mentioned in the Company's annual report for the year ended 31 December 2017 and in connection with other previous announcements concerning the proposed spin-off (the "**Proposed Spin-off**") of the digital businesses of the Group, the Company decided to postpone the application of the Proposed Spin-Off to a later stage.

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The financial statements have been prepared on the historical cost basis, except for investment properties and financial assets at fair value through other comprehensive income/available-for-sale financial assets which are stated at fair values.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The amounts in the consolidated financial statements are presented in RMB. The translation into HK$ of the consolidated financial statements as of, and for the year ended 31 December 2018 is for convenience only and has been made at the rate of HK$1.1390 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HK$ at this or any other rate.

The Group meets its day-to-day working capital requirements through its bank facilities and cash inflows generated from operating activities. The current economic conditions continue to create uncertainty particularly over (a) the trend of print media and advertising market; and (b) the availability of bank finance for the foreseeable future. The Group's forecasts and projections, taking account of reasonably possible changes in business performance, show that the Group should be able to operate within the level of its current and expected new bank facilities and cash flow position. The Group has also obtained confirmation from its substantial shareholder and a Director of the Company, Mr. Shao Zhong ("**Mr. Shao**"), that he will provide financial support to the Group as and when needed for the next twelve months from the end of the reporting period. Hence, the Directors of the Company concluded the Group has adequate resources to continue as a going concern. Consequently, the consolidated financial statements have been prepared on a going concern basis.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the IASB, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2018:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and related Amendments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IFRS 1	As part of Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 28	As part of Annual Improvements to IFRS 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The Group has not applied any new or amended IFRSs that are not yet effective for the current accounting period.

Other than as noted below, the adoption of the new and amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(i) Impact on the financial statements

IFRS 9 and IFRS 15 were adopted by the Group without restating comparative information in accordance with the transitional provisions. As a result of the changes in the Group's accounting policies, the reclassifications and adjustments are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in details below.

Consolidated statement of financial position (extract)	**31 December 2017 As originally presented** *RMB'000*	**Impact of initial application of IFRS 9** *RMB'000*	**Impact of initial application of IFRS 15** *RMB'000*	**1 January 2018 Restated** *RMB'000*
Non-current assets				
Available-for-sale financial assets	5,671	(5,671)	–	–
Financial assets at fair value through other comprehensive income	–	4,921	–	4,921
Current assets				
Trade and other receivables	273,410	(3,358)	–	270,052
Current liabilities				
Trade and other payables	65,427	-	(16,452)	48,975
Contract liabilities	-	-	16,452	16,452
Equity				
Fair value reserve (non-recycling)	–	(750)	–	(750)
Retained earnings	227,751	(3,215)	–	224,536
Non-controlling interests	46,429	(143)	–	46,286

(ii) IFRS 9 "Financial Instruments" – Impact of adoption

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an expected credit loss ("**ECL**") model for the impairment of financial assets.

The impact of transition to IFRS 9 on the Group's equity as at 1 January 2018 is as follows:

Equity	**Effect on fair value reserve (non-recycling)** *RMB'000*	**Effect on retained earnings** *RMB'000*	**Effect on non-controlling interests** *RMB'000*
At 31 December 2017 – IAS 39	–	227,751	46,429
Remeasurement of non-trade unlisted equity investments from cost less impairment to fair value	(750)	–	–
Additional provision for impairment of trade receivables recognised	–	(3,215)	(143)
Opening balance as at 1 January 2018 – IFRS 9	(750)	224,536	46,286

Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income

The Group had several equity investments which were classified as available-for-sale stated at cost less impairment under previous accounting standard IAS 39. With the adoption of IFRS 9, these investments do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Therefore, these equity investments are classified as financial assets measured at fair value and the Group elected to present any changes in the fair value in other comprehensive income because the investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result of the adoption of IFRS 9, these equity investments have been measured at fair value as at 1 January 2018. The difference between the fair value and the carrying amount of the investment as at 1 January 2018 was recorded to opening fair value reserve (non-recycling).

Other than that, there were no changes to the classification and measurement of financial instruments.

Summary of effects resulting from adoption of IFRS 9 is as follows:

Financial assets	**Available-for-sale financial assets** *RMB'000*	**Financial assets at fair value through other comprehensive income** *RMB'000*
At 31 December 2017 – IAS 39	5,671	–
Reclassification of non-trade unlisted equity investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income	(5,671)	5,671
Remeasurement of non-trade unlisted equity investments from cost less impairment to fair value	–	(750)
Opening balance as at 1 January 2018 – IFRS 9	–	4,921

Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on ECL rather than only incurred credit losses under IAS 39. The Group's trade and other receivables and cash and cash equivalents which are measured at amortised cost are subject to IFRS 9's new ECL model.

The Group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The provision for impairment of trade receivables as at 31 December 2017 reconcile to the opening ECL allowance of trade receivables on 1 January 2018 as follows:

	RMB'000
At 31 December 2017 – IAS 39	3,623
Additional provision recognised through opening retained earnings	3,358
Opening balance as at 1 January 2018 – IFRS 9	6,981

While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(iii) IFRS 15 "Revenue from Contracts with Customers" – Impact of adoption

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as "**IFRS 15**") presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Summary of effects resulting from adoption of IFRS 15 is as follows:

	Trade and other payables *RMB'000*	Contract liabilities *RMB'000*
At 31 December 2017 – IAS 18	65,427	–
Reclassification of trade and other payables to contract liabilities	(16,452)	16,452
Opening balance as at 1 January 2018 – IFRS 15	48,975	16,452

Presentation of liabilities related to contracts with customers

Under IFRS 15, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. At the date of initial application of IFRS 15, advances from customers of RMB16,452,000 in respect of contracts with customers previously included in trade and other payables were reclassified to contract liabilities for RMB16,452,000.

Variable consideration

The Group provides a right of return, discounts or rebates for some of the advertising contracts with customers and sale of magazines and periodicals. Previously, the Group recognises revenue from the sale of services and goods measured at fair value of the consideration received or receivable, net of discounts, rebates and returns. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Under IFRS 15, a transaction price is considered variable if a customer is provided with a right of return, discounts or rebates. The Group is required to estimate the amount of consideration to which it will be entitled in advertising contracts and the sale of magazines and periodicals and the estimated amount of variable consideration will be included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group assessed that there was no significant difference between the revenue recognised under old and new revenue standard at date of initial application, therefore no adjustment was recorded to opening equity.

(b) *New and amended standards issued but are not effective and not yet adopted by the Group*

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRS 3	Definition of a Business[5]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]
Amendments to IFRSs	References to the Conceptual Framework in IFRSs[2]
IFRIC 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019

2 Effective for annual periods beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after 1 January 2021

4 Effective date not yet determined

5 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

3. SEGMENT INFORMATION

The chief operating decision-makers mainly include the senior executive management of the Company. They review the Group's internal reports in order to determine the operating segments, assess performance and allocate resources based on these reports.

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on revenue and adjusted EBITDA without allocation of depreciation, amortisation, finance expenses – net, loss on step acquisition, share of post-tax losses of associates and a joint venture, impairment loss on interests in associates, gain on disposal of a joint venture, change in fair value of investment properties and other unallocated head office and corporate expenses.

The amount provided to senior executive management with respect to total assets is measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of segment. Investment properties, interests in associates and a joint venture, financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets), deferred income tax assets, certain other receivables, cash and cash equivalents and corporate and unallocated assets are not considered to be segment assets but rather are managed by the treasury function.

Information about segment liabilities are not regularly reviewed by chief operating decision-makers. Accordingly, segment liability information is not presented.

The Group has two (2017: two) reportable segments as described below, which are the Group's strategic business units. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit/losses of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Print media and art: this segment engages in the sale of advertising space in the publication of and the distribution of the Group's magazines and periodicals; and artwork trading and auction, art exhibition and education and revenue from restaurant operation.

- Digital media (previously known as digital media and television): this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces; and engages in the production of customised contents for brand advertisers.

(a) Revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time from external customers in the following major product lines:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art	**303,103**	316,503
– Digital media	**154,535**	122,080
	457,638	438,583
Revenue derived from other operations	**3,371**	8,851
Less: sales taxes and other surcharges	**(12,045)**	(11,826)
	448,964	435,608

	Year ended 31 December 2018
	RMB'000
Types of goods or services:	
– Advertising income	**294,464**
– Circulation and subscription income	**13,691**
– Production, event and service income	**137,681**
– Sales of artworks and goods	**256**
– Revenue from restaurant operation	**1,953**
– Rental income	**919**
	448,964
Timing of revenue recognition under IFRS 15:	
– At a point in time	**310,364**
– Over time	**137,681**
	448,045
Rental income	**919**
	448,964

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2018 are as follows:

	As at 31 December 2018
	RMB'000
– Within 1 year	**1,800**
– In second to fifth years	**1,600**
	3,400

As permitted by IFRS 15, the transaction price allocated to unsatisfied contracts for periods of one year or less is not disclosed.

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2018 and 2017 were set out as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art	**(20,810)**	(22,372)
– Digital media	**24,082**	10,802
	3,272	(11,570)
Revenue derived from other operations *(Note 3(a))*	**3,371**	8,851
Depreciation	**(13,089)**	(14,592)
Amortisation	**(12,565)**	(9,303)
Finance expenses – net	**(3,784)**	(4,116)
Loss on step acquisition	**–**	(2,574)
Share of post-tax losses of associates	**(1,677)**	(961)
Share of post-tax losses of a joint venture	**(224)**	(17)
Impairment loss on interests in associates	**(3,698)**	–
Gain on disposal of a joint venture	**–**	381
Change in fair value of investment properties	**790**	850
Unallocated head office and corporate expenses	**(3,905)**	(4,403)
Loss before income tax	**(31,509)**	(37,454)

	Year ended 31 December 2018		
	Depreciation	**Amortisation**	**Finance expenses – net**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment:			
– Print media and art	**12,527**	**276**	**3,801**
– Digital media	**562**	**12,289**	**(17)**
	13,089	**12,565**	**3,784**

	Year ended 31 December 2017		
	Depreciation	Amortisation	Finance expenses – net
	RMB'000	*RMB'000*	*RMB'000*
Reportable segment:			
– Print media and art	14,058	172	4,142
– Digital media	534	9,131	(26)
	14,592	9,303	4,116

(c) Total assets

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art	**383,020**	355,027
– Digital media	**128,447**	125,555
	511,467	480,582
Corporate and unallocated assets	**2,294**	2,452
Investment properties	**37,380**	36,590
Interests in associates	**4,106**	9,027
Interest in a joint venture	**276**	–
Available-for-sale financial assets	**–**	5,671
Financial assets at fair value through other comprehensive income	**3,071**	–
Deferred income tax assets	**835**	971
Other receivables	**63,886**	59,512
Cash and cash equivalents	**17,918**	58,385
Total assets	**641,233**	653,190

Additions to non-current segment assets during the year are as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art	**41,046**	13,773
– Digital media	**9,144**	23,554
	50,190	37,327

(d) Geographic information

The geographic location of the Group's property, plant and equipment, investment properties, intangible assets, goodwill, software development in progress and interests in associates and a joint venture and prepayments for property, plant, and equipment ("**specified non-current assets**") were mainly in the PRC, Hong Kong and the United Kingdom (the "**UK**") as at 31 December 2018 and 2017.

The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of property, plant and equipment and investment properties and prepayments for property, plant and equipment; (ii) the location of the operation to which they are allocated, in the case of intangible assets, goodwill and software development in progress; and (iii) the location of operations, in the case of investments and interests in associates and a joint venture.

Specified non-current assets by geographical location as at 31 December 2018 and 2017 were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Hong Kong	**110,293**	109,919
The PRC	**191,626**	165,465
The UK	**5,845**	6,181
	307,764	281,565

Revenue by geographical location for the year ended 31 December 2018 and 2017 was as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
The PRC	**401,572**	395,492
Hong Kong	**39,079**	36,704
The UK	**8,313**	3,412
	448,964	435,608

Revenue from customers with individually contributed over 10% of the Group's revenue for print media and art and digital media segment is as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Customer A	**55,036**	N/A*
Customer B	**N/A***	52,056

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

4. EXPENSES BY NATURE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of artworks sold	**172**	773
Employee benefit expenses	**153,500**	166,679
Advertising production expenses	**149,732**	139,332
Printing costs of magazines and periodicals	**20,409**	23,091
Marketing and promotion expenses	**46,530**	38,999
Office rental costs	**22,798**	22,078
License fee	**23,900**	22,545
Office expenses including utility costs	**16,173**	15,986
Travelling and communication expenses	**7,088**	7,592
Depreciation of property, plant and equipment	**13,201**	14,746
Amortisation of intangible assets	**12,565**	9,303
Professional and consultation expenses	**4,806**	5,389
Auditor's remuneration:		
– Audit services	**1,423**	1,318
– Non-audit services	**278**	295
Stamp duties and other taxes	**592**	755
ECL allowance recognised (2017: loss allowance) for trade receivables *(Note 14)*	**292**	1,123
Professional fees for the Proposed Spin-off *(Note 1)*	**–**	2,319
Other expenses	**1,438**	664
Total cost of sales, distribution and administrative expenses	**474,897**	472,987

5. FINANCE EXPENSES – NET

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Finance income:		
– Interest income derived from bank deposits	**126**	195
Finance expenses:		
– Interest expense on borrowings wholly repayable within 5 years	**(3,058)**	(3,341)
– Interest expense on borrowings wholly repayable after 5 years	**(852)**	(970)
	(3,910)	(4,311)
Finance expenses – net	**(3,784)**	(4,116)

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax:		
– Hong Kong profits tax	**961**	42
– PRC corporate income tax	**1,233**	2,292
Adjustments in respect of prior years	**583**	(215)
	2,777	2,119
Deferred income tax	**184**	215
Income tax expense	**2,961**	2,334

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and, accordingly, is exempted from payment of Cayman Islands income tax.

(b) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%.

For the year ended 31 December 2018, Hong Kong profits tax of Modern Media Company Limited is calculated in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2017, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profit in Hong Kong.

(c) The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25%.

(d) During the year ended 31 December 2018, income not subject to tax mainly represented the net profit of RMB8,771,000 (2017: RMB11,241,000) derived by Kashi Yazhimei Culture Media Co., Ltd., which is a subsidiary incorporated in Xinjiang, the PRC and entitled to an income tax exemption period from 1 January 2015 to 31 December 2019.

(e) During the year ended 31 December 2018, current income tax on profits for the year included a provision of RMB921,000 (2017: RMB1,529,000) in respect of withholding income tax on (i) dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd. and (ii) services income charged to the Group's PRC subsidiaries.

7. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share was computed by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the respective years.

	Year ended 31 December	
	2018	2017
Loss attributable to owners of the Company *(RMB'000)*	**(35,075)**	(38,264)
Issued ordinary shares as at 1 January *(thousands)*	**438,353**	438,353
Weighted average number of shares held for the Share Award Scheme *(thousands)*	**(5,680)**	(5,024)
Weighted average number of ordinary shares in issue *(thousands)*	**432,673**	433,329
Basic loss per share *(RMB per share)*	**(0.0811)**	(0.0883)

(b) Diluted loss per share

Diluted loss per share was same as the basic loss per share as there was no dilutive event existed during years ended 31 December 2018 and 2017.

8. DIVIDENDS

(a) The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: nil).

(b) Dividends to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year of nil (2017: HK1.00 cent, equivalent to RMB0.89 cents per share)	**–**	3,894

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2018, the Group acquired items of fixed assets in aggregate of RMB35,936,000, which primarily consisted of building held for own use, leasehold improvements, office equipment, furniture and fixtures and motor vehicles amounted to RMB23,636,000, RMB7,603,000, RMB1,220,000, RMB881,000 and RMB2,596,000 respectively.

10. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	*RMB'000*
Non-current assets – at fair value		
At 1 January	**36,590**	–
Transfer from property, plant and equipment	**–**	35,740
Changes in fair value of investment properties recognised in profit or loss	**790**	850
At 31 December	**37,380**	36,590

11. INTANGIBLE ASSETS

For the year ended 31 December 2018, additions to intangible assets amounted to RMB12,246,000, which comprised of transfer from software development in progress.

12. INTERESTS IN ASSOCIATES

	2018 *RMB'000*	2017 *RMB'000*
Investment in associates		
At 1 January	**6,224**	10,027
Share of post-tax losses	**(1,677)**	(961)
Impairment loss	**(2,698)**	–
Currency translation differences	**25**	(268)
Step acquisition of a subsidiary	**–**	(2,574)
At 31 December	**1,874**	6,224
Advance to an associate *(Note)*	**3,232**	2,803
Less: impairment loss	**(1,000)**	–
	2,232	2,803
	4,106	9,027

Note: Advance to an associate included in investment in associates is unsecured, interest-free and has no fixed repayment terms. In the opinion of the Directors of the Company, the advance in substance formed part of investment in an associate and is therefore shown in the consolidated statement of financial position as non-current.

13. OTHER FINANCIAL ASSETS

(a) Financial assets at fair value through other comprehensive income (non-recycling)

Financial assets at fair value through other comprehensive income comprise equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at fair value through other comprehensive income comprise the following individual investments:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Unlisted equity investments at fair value	**3,071**	–

In the prior financial year, the Group had designated equity investments as available-for-sale financial assets (Note 13(b)) where management intended to hold them for the medium to long-term. Note 2.1.1 explains the change of accounting policy and the reclassification of the equity investments from available-for-sale financial assets to financial assets at fair value through other comprehensive income.

(b) Financial assets previously classified as available-for-sale financial assets

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**–**	10,671
Less: provision for impairment	**–**	(5,000)
Unlisted equity investments – net	**–**	5,671

14. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(a)*		
– Due from third parties	**197,490**	202,910
Less: ECL allowance (2017: loss allowance) of trade receivables *(b)*	**(7,273)**	(3,623)
Trade receivables – net	**190,217**	199,287
Other receivables:		
– Value-added tax recoverable	**18,801**	16,341
– Prepayments	**23,125**	19,141
– Printing deposits	**13,880**	14,611
– Rental, utility and other deposits	**8,417**	8,426
– Advances and loans to employees (c)	**8,457**	9,950
– Amounts due from related parties (c)	**–**	416
– Others	**5,086**	5,238
	267,983	273,410
Less non-current portion:		
Prepayments for acquisition of property, plant and equipment	**(5,234)**	–
	262,749	273,410

As at 31 December 2018 and 2017, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

(a) The ageing analysis of trade receivables, based on invoice dates, before ECL allowance (2017: loss allowance), was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables, gross		
– Within 30 days	**82,837**	55,887
– Over 31 days and within 90 days	**52,122**	71,038
– Over 90 days and within 180 days	**35,480**	37,147
– Over 180 days	**27,051**	38,838
	197,490	202,910

The credit period granted to advertising and circulation customers is between 30 to 180 days (with a certain limited number of customers granted a credit period of 270 days). No interest is charged on the outstanding trade receivables.

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

(b) Movements in ECL allowance (2017: loss allowance) of trade receivables were as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January – IAS 39	**3,623**	2,500
Initial application of IFRS 9	**3,358**	–
Adjusted balance	**6,981**	2,500
ECL allowance recognised (2017: Loss allowance) *(Note 4)*	**292**	1,123
At 31 December	**7,273**	3,623

(c) The amounts due from related parties and advances and loans to employees are unsecured, interest-free and repayable on demand.

15. INVENTORIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Artworks	**48,754**	32,809
Other goods	**142**	379
	48,896	33,188

16. TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables:		
– Due to third parties *(a)*	**32,298**	29,321
Other payables:		
– Advances from customers *(Note 17)*	**–**	16,452
– Accrued taxes other than income tax (b)	**6,900**	6,984
– Accrued expenses	**7,446**	4,812
– Advertising and promotion expenses payable	**3,573**	2,692
– Salaries, wages, bonus and benefits payable	**1,537**	838
– Other liabilities	**5,581**	4,328
	57,335	65,427

As at 31 December 2018 and 2017, all trade and other payables of the Group were non-interest bearing, and their fair values approximated their carrying amounts due to their short maturities.

(a) An ageing analysis of trade payables of the Group, based on invoice dates, was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables		
– Within 30 days	**15,971**	14,747
– Over 31 days and within 90 days	**8,357**	7,105
– Over 91 days and within 180 days	**5,545**	2,488
– Over 180 days	**2,425**	4,981
	32,298	29,321

(b) Accrued taxes other than income tax mainly consisted of value-added tax payables, business tax payables and related surcharges, and individual income tax payables.

17. CONTRACT LIABILITIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contract liabilities arising from billings in advance of performance	**14,908**	–

Upon the adoption of IFRS 15, amounts previously included as "Advances from customers" under "Trade and other payables" were reclassified to contract liabilities.

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying goods or services are yet to be provided.

18. BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current		
– Secured bank borrowings *(a)*	**87,060**	96,144
– Other unsecured borrowings	**14,048**	–
	101,108	96,144

(a) As at 31 December 2018, secured bank borrowings of RMB87,060,000 (2017: RMB96,144,000) were secured by certain properties of the Group with carrying amount of RMB121,453,000 (2017: RMB135,402,000), among which RMB23,000,000 (2017: RMB33,000,000) were guaranteed by Mr. Shao.

(b) The contractual maturity of borrowings based on the date which is the earliest possible date that the lenders could be required to repay was as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
On demand or within 1 year	**101,108**	96,144

(c) The effective interest rates of the Group's borrowings at the reporting date were as follows:

	As at 31 December			
	2018		2017	
	Effective interest rate	***RMB'000***	*Effective interest rate*	*RMB'000*
Variable rate borrowings:				
– Secured bank borrowings	**6.00%**	**23,000**	6.00%	23,000
Fixed rate borrowings:				
– Secured bank borrowings	**3.52%**	**64,060**	3.36%	73,144
– Other unsecured borrowings	**5.00%**	**14,048**	–	–
		78,108		73,144
		101,108		96,144

19. CONTINGENCIES

Saved as disclosed in Note 21, the Group had no material contingent liabilities as at 31 December 2018 and 2017.

20. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contracted but not provided for:		
– Property, plant and equipment	**2,286**	–

(b) Operating lease commitments

The Group leases various buildings under operating lease agreements. The leases have varying terms and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Operating leases expiring:		
– Within 1 year	**18,216**	22,759
– After 1 year but within 5 years	**10,648**	27,922
	28,864	50,681

The Group leases its investment properties *(Note 10)* under operating lease arrangements an initial period of six years, with an option to renew the lease terms at the expiry date. The future aggregate minimum lease receipts under non-cancellable operating leases were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Operating leases expiring:		
– Within 1 year	**2,126**	–
– After 1 year but within 5 years	**9,407**	–
– After 5 years	**1,556**	–
	13,089	–

(c) Other commitments

The Group entered into licensing agreements with the publishing partners to obtain the exclusive rights for the sale of advertising spaces in and the distribution of the magazines. The total future minimum payments under non-cancellable licensing agreements were as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Licensing agreement expiring:		
– Within 1 year	**22,182**	22,706
– After 1 year but within 5 years	**41,941**	62,478
– After 5 years	**2,828**	5,119
	66,951	90,303

21. DEEMED DISPOSAL OF PARTIAL INTERESTS IN A SUBSIDIARY IN 2017

On 27 July 2017, Modern Digital Holding Limited ("**MDHL**"), a subsidiary of the Company, has completed the allotment of (i) 428,570 shares to an independent third party, Hong Kong Septwolves Invest-Holding Limited ("**Septwolves Invest**"), at the subscription price of RMB43,050,000 and (ii) 1 share to a subsidiary of the Company, at a subscription price of RMB36,600,000 (collectively, the "**Subscriptions**"). The Group retains 70% of the equity interest in MDHL after the partial disposal. Details of the Subscriptions have been set out in the Company's announcements dated 10 March 2017, 22 March 2017 and 4 August 2017.

The Subscriptions were accounted for as an equity transaction during the year ended 31 December 2017, whereby adjustments were made to reflect an increase in non-controlling interests of approximately RMB48,675,000 and a decrease in other reserve of approximately RMB5,625,000 at the date of issue of the new shares in MDHL.

Pursuant to the investment agreement, the Group undertakes to Septwolves Invest that the expected revenue after tax of MDHL and its subsidiaries for each of the years ending 31 December 2017, 2018 and 2019 shall be not less than HK$140 million, HK$162 million, and HK$186 million, respectively ("**Revenue Guarantee**"). Septwolves Invest has the option (the "**Put Option**") to require the Group to acquire all the MDHL shares then held by them, on or before 30 April 2020, if MDHL fails to achieve the Revenue Guarantee. The purchase price shall be equivalent to the aggregate of (a) the total investment amount of Septwolves Invest and (b) a compensation amount to be agreed between the parties. No provision has been made by the Group with respect to the Put Option as at 31 December 2018 and 2017 as the Group met the revenue guarantee for the respective years.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

In 2018, the Group's revenue increased by 3.1% as compared with the previous year, with EBITDA turning from a loss to profit, benefiting from the initial success of strategy of promoting new platform business concepts and reinventing innovative plans adopted by the Group from the previous year. Especially, the Group set up a magazine style experience space ("**Ziwu**"). This innovative operating model integrated the one-stop online and offline media platforms. In 2019, the Group will continue to expand innovative business models, and further expand and improve the transformation and upgrade from print media to digital media and to platform media. Platform economy has become a growth point of Chinese new economy. In this regard, the Group keeps pace with the times through the integration and reorganization of resources to further expand the development of innovative business. We will build four media platforms covering fashion, culture, art and commerce platforms. At the same time, we will strive to build a new media business model that integrates online and offline platforms by combining print, digital and spatial experience, thereby bringing new opportunities and growth points to the Group in 2019.

Since 2015, the Group had strategically restructured its business into two business segments, namely "print media and art" and "digital media". In 2018, print media remained as the major income contributor of advertising revenue while digital media was outperformed in generating revenue. The segment results are as follows:

	Print Media and Art *RMB'000*	**Digital Media** *RMB'000*	**Total** *RMB'000*
2018			
Reportable segment revenue	**303,103**	**154,535**	**457,638**
Reportable segment (loss)/profit	**(37,273)**	**9,377**	**(27,896)**
Segment EBITDA	**(20,810)**	**24,082**	**3,272**
2017			
Reportable segment revenue	316,503	122,080	438,583
Reportable segment (loss)/profit	(37,077)	3,176	(33,901)
Segment EBITDA	(22,372)	10,802	(11,570)

On the segment results, the segment revenue for print media and art in 2018 suffered a 4.2% decrease when compared with 2017, as a result of the downturn in traditional print industry; the segment loss maintained at similar level despite the sales drop. On the other hand, our digital media segment recorded an increase in segment revenue by 26.6% with surging profits of 195.2% as compared to last year. The Group had been leveraging on the economics of scale by operating a number of well-established Apps in 2018, the management has confidence that the digital media will continue its profitable trend afterwards.

(A) BUSINESS REVIEW

(i) Print Media and Art

The overall print media market followed the downward trend as in the past few years. According to the Advertising Expenditure Report issued by CTR, a marketing research firm, the total advertising revenue of printed magazine category in 2018 has been decreased by 8.6% as compared with that of last year.

The Group commenced in year 2018 with five weekly/bi-weekly and six monthly/bi-monthly magazines in both the PRC and Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health, etc. In November 2018, the Group launched another high-end magazine, namely "Arbiter" in the PRC market, which mainly targets on those business leaders and entrepreneurs who demand quality life.

In 2018, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB272.7 million (2017: RMB296.5 million), which recorded a decrease of approximately 8.0% as compared to 2017, which was in line with the downward trend in magazine advertising market.

Although the PRC advertising market of magazine category was extremely challenging, our Group still made an effort to achieve a fair performance in 2018. The revenue of our flagship magazine, "Modern Weekly" had suffered a decrease when facing the industrial depression in the overall printed media market. However, it has still been ranked no.1 in terms of revenue in weekly magazine market according to the research report issued by Admango and continuously maintained the irreplaceable position by most of the print media brand advertisers while many other print competitors were still struggling in surviving in the industry.

Our rebranded magazine, "INSTYLE 優家画報", continued to be one of the favorite women's style magazines in the market, it had successfully organized a number of events such as "Icon Award" during the year, which had increased its market recognitions amongst brand advertisers. Despite the severe decline in print industry, it had just recorded a slight decrease in the year as compared to that of 2017. The reader's club of "INSTYLE 優家画報", "You Jia Hui" (優家薈), has becoming more and more attractive to those female elites after running a series of events in several cities in both the PRC and overseas countries, the number of members of "You Jia Hui" had kept increasing during the year and the club membership fees had created an additional income stream to the Group.

Our flagship business magazine, “Bloomberg Businessweek/China” (Simplified Chinese edition) also recorded a decline in the advertising performance along with the downward trend of print media industry. Nonetheless, according to the market research conducted by Admango, by comparing with 40 other business and financial magazines, it ranked no.7 in terms of the advertising revenue. On the other hand, “Bloomberg Businessweek/China” (Traditional Chinese edition) had organized several finance marketing events and forums in Hong Kong and those events enhanced the market recognition among the readers and most of the financial institutions. As such, the advertising performance of this magazine in 2018 has improved by 11.7% compared to that of 2017, irrespective of the declining magazine advertising industry. In the coming year, “Bloomberg Businessweek/China” (Traditional Chinese edition) plans to organize more events such as “Nobel Hero Day” and “Block chain Summit” in Hong Kong which aims to continuously enhance its market influence and reputation.

Advertising revenues of other monthly magazines operated by the Group in the PRC and Hong Kong recorded different performances. Some titles such as “IDEAT” and “LOHAS” recorded rising advertising revenue as compared to last year, whilst some other monthly titles experienced revenue declines as per the general trend of the print media business. The Group will continue to review such portfolio of monthly magazines and targets to attain an optimal operating result in 2019 and onwards.

During the year, the art business had contributed revenue of RMB10.2 million, which included the advertising revenue from our art magazines – “LEAP” and “the Art Newspaper”, as well as the event income derived from art-related events organized by the Group and income generated from our cultural and creative space – Modern Art Base, which contains art gallery, art kitchen, workshop, bookshop, photo studio and retail space. The management plans to develop membership business in Modern Art Base in 2019 and is confident that our art business will bring in additional profit in the coming future.

In March 2018, the Group reached an agreement with The Cultivist, an internationally renowned art club which is active in New York and London, to jointly create a top art club in the Greater China. The Cultivist is exclusively licensed by The Cultivist and co-founded with the Group to provide personal services for collectors, patrons, artists and curators, as well as other cultural influencers and art lovers in the Greater China. To enable Chinese collectors to better reach international art and deepen their ties with the global art world, and to allow international collectors to better explore the artistic ecology of China and even Asia; at the same time, with the development of the club, The Cultivist continuously develops and maintains local partnerships, integrates the world’s top art resources, and contributes to the development of global culture and art.

As the first leading multi-channel video art platform in the Greater China, "Modern Eye" includes museum-level photo production, custom photo products, limited edition images of online stores and offline galleries, as well as the sales of image derivatives, photography artist agency, curation, publishing, education, B2B projects, etc. It meets the needs of the family's consumption of decorative arts, catering and hotel industries, as well as the brand. In view of the strategic cooperation with the world's leading photography collection agencies such as The V&A's Gallery Photography Centre in London and also the cooperation with PhotoFairs Shanghai in the past 5 years, the Group has accumulated the strongest resources in the global imaging field. At the same time, the forward-looking "Modern Eye" will also develop moving image and the products in new media fields such as virtual reality, augmented reality and mixed reality, as well as the exhibition agency business, which will lead the art consumption of the millennial generation.

(ii) Digital Media

By comparing to the stagnant advertising environment in print media sector, the overall market sentiment of the digital sector was still optimistic. According to the Advertising Expenditure Report issued by CTR, the advertising market of internet category achieved a year-on-year increase of 7.3% in 2018. The total revenue contributed by the Group's digital media recorded an increase by 22.7% in 2018 when compared with that of last year, which outperformed the market growth.

For the year 2018, the number of "iWeekly" downloads on both smartphone and tablet PC reached approximately 14.8 million together. "iWeekly" continuously upgrades its content by incorporating the selected contents from some famous international media brands, which enriched its globalized contents and further enlarged the readers' base and increase their adherence. It continued to be recognized as one of the most successful Chinese media applications on the Apple's and Android's platforms.

"INSTYLE iLady" continued to be a comprehensive informative platform for elite women, it has already accumulated more than 7.2 million users as at the end of 2018. By offering the "Ready-to-Buy" digital media experience to users, "INSTYLE iLady" was well-accepted by both the users and brand advertisers. Moreover, the "fashion", "beauty" and "life" channels within the App are able to provide comprehensive solutions for targeted customers on behalf of brand clients. As the App could effectively bring traffic to some advertiser's shopping platform or their official websites, "INSTYLE iLady" has increased its popularity amongst the brand advertisers and is becoming one of the main revenue streams of our digital business. During the year, it had experienced a surge in advertising revenue of approximately 50.9% as compared to that of 2017. In the future, "INSTYLE iLady" will utilize the influence of social media to create more interactions with users and continuously enhance its recognition and popularity in the market.

"Bloomberg Businessweek 商業周刊中文版" has successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 10.9 million members together, which was 25.3% higher than that of last year. "Bloomberg Businessweek 商業周刊中文版" was recommended to be one of the "Best Apps for the Year 2018" in Apple's AppStore. The iPhone version was ranked no. 2 in Newsstand Top Grossing List in Apple's AppStore and, "Bloomberg Businessweek 商業周刊中文版" has also got the Top 2 ranking for a long period of time since 2015. Furthermore, along with the high quality content of the app and increased recognition amongst business elites, the subscription income of "Bloomberg Businessweek 商業周刊中文版" received via the App and WeChat had increased to RMB6.5 million in 2018 from RMB5.0 million last year; the management expected the subscribed reader base would be continuously enlarging in the coming future. In 2018, "Bloomberg Businessweek 商業周刊中文版" team also produced a documentary series namely "Business Geography" ("商業地理") which were broadcasted in Tencent Video channel and the accumulated click rate had achieved 35.3 million as at the end of 2018, the success of this new attempt gave the management more confidence to explore diverse business opportunities in new areas.

With the acquisition of "Nowness" last year, the Group had hired a team of professionals to operate Nowness video platform in the PRC, its creative and quality content had attracted increasing number of subscribers to follow the subscription account via WeChat, and had quickly developed a client portfolio with high-end brand advertisers. In April 2018, "Nowness" app was successfully launched in App Store and the accumulated downloads had reach 2.9 million as at the end of 2018. The advertising and production revenue derived from "Nowness" had reached RMB23.1 million in 2018 and it is expected to generate more income in the coming future.

Given the expansion plan in progress, the Group's digital media business had maintained at a profit situation in the current year. We are confident that with the enlargement of the user base of our app products, our digital business will further generate considerable revenue and achieve remarkable business growth in the future.

(B) BUSINESS OUTLOOK

In 2019, the Group will continue to expand innovative business models, and further expand and improve the transformation and upgrade from print media to digital media and to platform media. Platform economy has become a growth point of Chinese new economy. In this regard, the Group keeps pace with the times through the integration and reorganization of resources to further expand the development of innovative business. We will build four media platforms covering fashion, culture, art and commerce platforms. At the same time, we will strive to build a new media business model that integrates online and offline platforms by combining print, digital and spatial experience, thereby bringing new opportunities and growth points to the Group in 2019 .

The Group will continue to extend its business strategy towards the "4-M" direction, i.e. "Modern Publishing", "Modern Digital", "Modern Space" and "Modern Art".

"Modern Publishing" includes our printed magazines portfolio, which is still the leading printed media in the PRC market for the domestic and foreign brand advertisers of luxury goods and lifestyle products. The Group expects that the reduction in advertisements for printed magazines would rebound in the coming year. As always, the Group also constantly reviews its magazines portfolio and identifies different partners to operate printed magazines and other extended businesses.

"Modern Digital" continues to be the growth engine of our business. The Group acquired an international video platform "Nowness" in May 2017, which is an influential media in the fashion industry. The website won several international video awards in the past few years. By actively producing videos with refined and distinctive contents, the Group aims at attracting and raising the number of downloads in the Greater China and South East Asia. The "Nowness" team is undergoing an internal restructuring so that the operations under global structure will become more efficient and cost effective. In addition, the Group had launched the "Nowness" App in 2018, with the huge traffic to the website and the App will definitely attract significant growth in brand advertising in the coming years. Moreover, the Group will utilize the brand of "Nowness" to develop a series of extended businesses, including opening brand experience stores, launching derived products, establishing theme restaurants, organizing video-related courses and so on, in order to explore different sources of income. The Group will also explore the practicability of adding a function in the website so that customers can immediately purchase after preview, and will gradually develop assisted purchase on e-commerce. The Group expects the Modern Digital to achieve satisfactory performance in the coming year.

"Modern Space" is a project involving cultural and creative spaces actively deployed by the Group. Our first project is located in Shanghai and is divided into different phases of development. "Modern Space" will continue to vigorously develop a more solid and complex platform in 2019. In addition, as the new retail business with biggest potential in the Group, the product structure of "Modern Space" is becoming increasingly perfect, the first membership cultural and artistic complex project, Ziwu has started its trial operation in Shanghai. Its businesses include artistic restaurant, artistic photography store, membership book store, art gallery and art education classes. Ziwu links the online subscribers and offline readers with an innovative membership service system. Ziwu also connects space and creative content with brand new retail categories like magazine-subject derivative products, artistic photography products, designer cross-over products and the new profit mode developed from art consumer goods, to create a new paradise "Nest" for urban cultural omnivores. Ziwu is actually a conception of integrating plane, the Internet and Space Zine, which is a three-dimensional, experiential, mobile, interactive and networked commercial practice of the magazine's contents by curation.

"Modern Art" business will gradually develop in other first-tier cities in the PRC such as Beijing, Guangzhou and Shenzhen, and becomes an important source of power for the Group's future profit growth. Modern Art's business will be extended to the operation of art exhibition, high-tech art club, art education, art travel, art derivatives, etc. The high-end arts club, The Cultivist, has started its business since March 2018 and will continue to develop the high-end entry-level art collectors market in the PRC in 2019. The newly developed "Modern Eye" business division was also basically completed at the end of 2018, which is determined to build the first leading multi-channel video art platform in the Greater China.

Looking forward, the management believes that we will bring new opportunities and growth momentum to the Group through deepening the implementation of the new platform media innovation business model strategy. As a high-profile media group having 25 years history in the PRC, we are the most influential and well-known media group and gains a leading position in areas including fashion, culture, art, and commerce in the Chinese market, which is the world's second largest economy. Therefore, we believe that, on the occasion of the 10th anniversary of our listing on the Main Board of Hong Kong, we will bring new development prospects and revenue to the Shareholders.

(C) FINAL DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any final dividend (2017: nil).

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on 29 May 2019. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 24 May to 29 May 2019 both days inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrars in Hong Kong, Link Market Services (Hong Kong) Pty Limited of Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, for registration not later than 4:30 p.m. on 23 May 2019.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow from operating activities of approximately RMB3.9 million (2017: RMB4.5 million), which maintained similar level as compared to last year. On the other hand, the Group's cash outflow used in investing activities amounted to RMB51.6 million (2017: RMB10.9 million) which was mainly attributable to the investment in property, plant and equipment of RMB41.2 million including payments for purchase of new office property in Beijing and leasehold improvement expenditures on new office in Beijing and cultural and creative space in Shanghai. The cash inflow of the Group from financing activities amounted to RMB7.2 million (2017: RMB7.5 million) which was mainly due to the proceeds received from partial disposal of equity interests in a subsidiary.

Borrowings and gearing

As at 31 December 2018, the Group's outstanding borrowings was approximately RMB101.1 million (2017: RMB96.1 million). The total borrowings comprised secured bank loans of approximately RMB87.1 million (2017: RMB96.1 million) and other unsecured borrowings of approximately RMB14.0 million (2017: nil). The gearing ratio as at 31 December 2018 was 15.8% (31 December 2017: 14.7%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2018 and 2017, the total debts of the Group were repayable as follows:

	At 31 December 2018 *RMB'000*	At 31 December 2017 *RMB'000*
Within 1 year or on demand	**101,108**	96,144

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the year included expenditure on purchase of new office property, payments for software development in progress and prepayments for property, plant and equipment of approximately RMB50.2 million (2017: RMB37.3 million).

Saved as disclosed in Note 20, the Group did not have any material capital commitments as at 31 December 2018.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks the Group's major printing supplier to secure the banking facilities and printing credit line, and the Revenue Guarantee provided to Septwolves Invest as disclosed in Note 21, as at 31 December 2018, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2018, the Group's bank loans of RMB23.0 million was secured by the Group's office properties in Beijing, which were guaranteed by Mr. Shao, the controlling shareholder of the Group; the Group's bank loan of RMB64.1 million were secured by the office apartment in Hong Kong.

As at 31 December 2018, the Group's printing credit line in an amount of approximately RMB3.8 million was secured by corporate guarantee given by the Company.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC, Hong Kong and the UK and majority of the transactions are denominated and settled in RMB, HK$ or Great British Pounds ("**GBP**"), being the functional currency of the group entities to which the transactions relate. Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2018 and 2017, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 31 December 2018, the Group had a total of 593 staff (2017: 651 staff), total staff costs (including Directors' remuneration) recognised in profit or loss were approximately RMB153.5 million (2017: RMB166.7 million). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee. The reduction in head counts was due to the rationalization of human resource structure in order to improve the corporate efficiency.

SHARE AWARD SCHEME

To recognize and reward the contribution of eligible employees for contributing to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an employee share award scheme (the "**Share Award Scheme**") on 3 December 2009. The Share Award Scheme has become effective on 7 December 2009. The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the year ended 31 December 2018, the Company did not contribute any amount to the Share Award Scheme and there were surplus funds in the Share Award Scheme to acquire shares of the Company. During the year ended 31 December 2018, 50,000 shares (2017: 100,000 shares) were awarded and vested to one (2017: one) selected employee under the Share Award Scheme, as approved by the Board.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2018 have been reviewed by the Audit Committee.

Scope of work of Grant Thornton Hong Kong Limited

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining 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 year with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Company is of the view that it is in the best interest of the Company to let Mr. Shao Zhong, the founder of the Group, act in the dual capacity as the chairman and chief executive officer of the Group given Mr. Shao's in-depth expertise and knowledge in business and the Group, which can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by four independent non-executive directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

PUBLICATION

The annual results announcement of the Company for the Period is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Group (www.modernmedia.com.cn) respectively. The 2018 annual report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 22 March 2019

As at the date of this announcement, the Board comprises the following members: (a) as executive directors, Mr. SHAO Zhong, Mr. MOK Chun Ho, Neil, Ms. YANG Ying, Mr. LI Jian and Mr. DEROCHE Alain; (b) as independent non-executive directors, Mr. JIANG Nanchun, Mr. WANG Shi, Mr. AU-YEUNG Kwong Wah and Dr. GAO Hao.