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 2019

FINANCIAL HIGHLIGHTS

2019 *HK$'000**		**2019** *RMB'000*	2018 *RMB'000*	Variance
498,656	Revenue	**446,065**	448,964	-0.6%
2,467	Profit/(Loss) for the year	**2,207**	(34,470)	N/A
	Earnings/(Loss) per share			
0.0009	– Basic and diluted *(RMB)*	**0.0008**	(0.0811)	N/A
831,487	Total assets	**743,794**	641,233	16.0%

The Board does not recommend the payment of final dividend (2018: nil) for the year ended 31 December 2019.

* The above amounts are translated into Hong Kong dollars ("**HK$**") at the rate of HK$1.1179 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 2019 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 2019

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**446,065**	448,964
Cost of sales	4	**(239,762)**	(256,306)
Gross profit		**206,303**	192,658
Other income		**6,989**	2,848
Other gains		**1,003**	959
Distribution expenses	4	**(87,328)**	(107,150)
Administrative expenses	4	**(114,184)**	(111,441)
Operating profit/(loss)		**12,783**	(22,126)
Finance income		**34**	126
Finance expenses		**(6,480)**	(3,910)
Finance expenses – net	5	**(6,446)**	(3,784)
Share of post-tax losses of associates	12	**(733)**	(1,677)
Share of post-tax losses of a joint venture		**(276)**	(224)
Impairment loss on interests in associates	12	**(1,084)**	(3,698)
Impairment loss on interest in a joint venture		**(530)**	–
Profit/(Loss) before income tax		**3,714**	(31,509)
Income tax expense	6	**(1,507)**	(2,961)
Profit/(Loss) for the year		**2,207**	(34,470)

	Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
Other comprehensive (loss)/income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**(1,844)**	6,925
Items that will not be subsequently reclassified to profit or loss			
Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(2,403)**	(2,900)
Other comprehensive (loss)/income for the year		**(4,247)**	4,025
Total comprehensive loss for the year		**(2,040)**	(30,445)
Profit/(Loss) attributable to:			
– Owners of the Company		**361**	(35,075)
– Non-controlling interests		**1,846**	605
		2,207	(34,470)
Total comprehensive (loss)/income attributable to:			
– Owners of the Company		**(3,264)**	(32,022)
– Non-controlling interests		**1,224**	1,577
		(2,040)	(30,445)
Earnings/(Loss) per share attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	7	**RMB0.0008**	(RMB0.0811)

* *The Group has initially applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.1.1.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	**202,559**	177,680
Investment properties	10	**37,640**	37,380
Intangible assets	11	**58,766**	48,056
Goodwill		**43,091**	32,041
Software development in progress		**2,885**	2,991
Interests in associates	12	**2,350**	4,106
Interest in a joint venture		**–**	276
Financial assets at fair value through other comprehensive income	13	**549**	3,071
Prepayments for property, plant and equipment	14	**7,472**	5,234
Prepayment for acquisition of a subsidiary	14	**4,326**	–
Deferred income tax assets		**885**	835
		360,523	311,670
Current assets			
Trade and other receivables	14	**289,942**	262,749
Inventories	15	**50,748**	48,896
Cash and cash equivalents		**42,581**	17,918
		383,271	329,563
Current liabilities			
Trade and other payables	16	**89,802**	57,335
Lease liabilities	17	**19,300**	–
Contract liabilities	18	**9,368**	14,908
Current income tax liabilities		**9,555**	8,815
Borrowings	19	**130,001**	101,108
		258,026	182,166
Net current assets		**125,245**	147,397
Total assets less current liabilities		**485,768**	459,067

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Non-current liabilities			
Borrowings	19	**1,789**	–
Lease liabilities	17	**20,770**	–
Deferred income tax liabilities		**10,365**	7,020
		32,924	7,020
Net assets		**452,844**	452,047
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,853**	3,853
Reserves		**205,768**	206,653
Retained earnings		**185,334**	187,903
		394,955	398,409
Non-controlling interests		**57,889**	53,638
Total equity		**452,844**	452,047

* *The Group has initially applied IFRS 16 on 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See Note 2.1.1 for details.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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.

These consolidated 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 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 2019 is for convenience only and has been made at the rate of HK$1.1179 to RMB1. This translation should not be construed as a representation that the RMB amounts actually represented have been, or could be, converted into HK$ at this or any other rate.

The Group meets its day-to-day working capital requirements through its bank facilities, shareholder loan and cash inflows generated from operating activities. The current economic conditions continue to create uncertainties, 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 will be able to operate with its current and expected new bank facilities, shareholder loan 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 accounting period, 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 2019:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments

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.

IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases" along with three Interpretations IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases-Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

As lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 6.0%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018	28,864
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(5,659)
Operating leases liabilities before discounting	23,205
Discounting using incremental borrowing rate as at 1 January 2019	(1,305)
Total leases liabilities recognised under IFRS 16 at 1 January 2019	21,900
Classified as:	
– Current lease liabilities	11,727
– Non-current lease liabilities	10,173
	21,900

<u>As lessor</u>

Upon initial application of IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16. Comparative information is not restated.

Total impact arising from transition to IFRS 16

The following table summarises the impact of transition to IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets presented in property, plant and equipment	21,900
Increase in lease liabilities	21,900

(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 17	Insurance Contracts[2]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IFRSs	References to the Conceptual Framework in IFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet determined
4 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. The new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

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, share of post-tax losses of associates and a joint venture, impairment loss on interests in associates and 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, 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 (2018: 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/loss 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 platform (previously known as print media and art): this segment engages in the sale of advertising spaces 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 platform (previously known as digital media): 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	
	2019	2018
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art platform	**266,749**	303,103
– Digital platform	**184,686**	154,535
	451,435	457,638
Revenue derived from other operations	**3,616**	3,371
Less: sales taxes and other surcharges	**(8,986)**	(12,045)
	446,065	448,964

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Types of goods or services:		
– Advertising income	**339,126**	294,464
– Production, event and service income	**67,656**	137,681
– Sales of artworks and goods	**20,768**	256
– Circulation and subscription income	**11,400**	13,691
– Revenue from restaurant operation	**4,909**	1,953
– Rental income	**2,206**	919
	446,065	448,964
Timing of revenue recognition under IFRS 15:		
– At a point in time	**376,203**	310,364
– Over time	**67,656**	137,681
	443,859	448,045
Rental income	**2,206**	919
	446,065	448,964

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
– Within 1 year	**1,100**	1,800
– In second to fifth years	**–**	1,600
	1,100	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 2019 and 2018 are set out as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art platform	**25,869**	(20,810)
– Digital platform	**31,506**	24,082
	57,375	3,272
Revenue derived from other operations *(Note 3(a))*	**3,616**	3,371
Depreciation	**(30,934)**	(13,089)
Amortisation	**(14,472)**	(12,565)
Finance expenses – net	**(6,446)**	(3,784)
Share of post-tax losses of associates	**(733)**	(1,677)
Share of post-tax losses of a joint venture	**(276)**	(224)
Impairment loss on interests in associates	**(1,084)**	(3,698)
Impairment loss on interest in a joint venture	**(530)**	–
Change in fair value of investment properties	**260**	790
Unallocated head office and corporate expenses	**(3,062)**	(3,905)
Profit/(Loss) before income tax	**3,714**	(31,509)

	Year ended 31 December 2019		
	Depreciation	**Amortisation**	**Finance expenses – net**
	RMB'000	***RMB'000***	***RMB'000***
Reportable segment:			
– Print media and art platform	**27,354**	**997**	**5,709**
– Digital platform	**3,580**	**13,475**	**737**
	30,934	**14,472**	**6,446**

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

(c) Total assets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art platform	**446,247**	383,020
– Digital platform	**130,618**	128,447
	576,865	511,467
Corporate and unallocated assets	**2,309**	2,294
Investment properties	**37,640**	37,380
Interests in associates	**2,350**	4,106
Interest in a joint venture	**–**	276
Financial assets at fair value through other comprehensive income	**549**	3,071
Deferred income tax assets	**885**	835
Other receivables	**80,615**	63,886
Cash and cash equivalents	**42,581**	17,918
Total assets	**743,794**	641,233

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Reportable segment:		
– Print media and art platform	**81,802**	41,046
– Digital platform	**22,362**	9,144
	104,164	50,190

(d) Geographic information

The geographic location of the Group's property, plant and equipment, investment properties, intangible assets, goodwill, software development in progress, interests in associates and a joint venture, prepayments for property, plant, and equipment and prepayment for acquisition of a subsidiary ("**specified non-current assets**") were mainly in the PRC, Hong Kong and the United Kingdom (the "**UK**") as at 31 December 2019 and 2018.

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 prepayment for acquisition of a subsidiary and interests in associates and a joint venture.

Specified non-current assets by geographical location as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Hong Kong	**95,480**	110,293
The PRC	**254,058**	191,626
The UK	**9,551**	5,845
	359,089	307,764

Revenue by geographical location for the years ended 31 December 2019 and 2018 was as follows:

	Year ended 31 December	
	2019	**2018**
	RMB'000	*RMB'000*
The PRC	**377,252**	401,572
Hong Kong	**56,422**	39,079
The UK	**12,391**	8,313
	446,065	448,964

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

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Customer A	**58,236**	55,036

4. EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Cost of artworks sold	**7,520**	172
Employee benefit expenses	**139,363**	153,500
Advertising production expenses	**136,776**	149,732
Printing costs of magazines and periodicals	**17,508**	20,409
Marketing and promotion expenses	**32,766**	46,530
Office rental costs	**–**	22,798
Lease charges on short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	**5,672**	–
License fee	**23,505**	23,900
Office expenses including utility costs	**14,060**	16,173
Travelling and communication expenses	**8,550**	7,088
Depreciation of property, plant and equipment	**14,145**	13,201
Depreciation of right-of-use assets	**16,802**	–
Amortisation of intangible assets	**14,472**	12,565
Professional and consultation expenses	**4,222**	4,806
Auditor's remuneration:		
– Audit services	**1,666**	1,423
– Non-audit services	**250**	278
Stamp duties and other taxes	**360**	592
Expected credit loss ("**ECL**") allowance recognised for trade receivables, net *(Note 14)*	**(379)**	292
Cost from restaurant operation	**2,691**	1,071
Impairment loss on goodwill	**800**	–
Other expenses	**525**	367
Total cost of sales, distribution and administrative expenses	**441,274**	474,897

5. FINANCE EXPENSES – NET

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance income:		
– Interest income derived from bank deposits	**34**	126
Finance expenses:		
– Interest expenses on borrowings wholly repayable within 5 years	**(3,831)**	(3,058)
– Interest expenses on borrowings wholly repayable after 5 years	**(869)**	(852)
Finance charges on lease liabilities	**(1,780)**	–
	(6,480)	(3,910)
Finance expenses – net	**(6,446)**	(3,784)

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current income tax:		
– Hong Kong profits tax	**651**	961
– PRC corporate income tax	**687**	1,233
Adjustments in respect of prior years	**104**	583
	1,442	2,777
Deferred income tax	**65**	184
Income tax expense	**1,507**	2,961

(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) The provision for Hong Kong profits tax for the year ended 31 December 2019 is calculated at 16.5% (2018: 16.5%) of the estimated assessable profits for the year, except for Modern Media Company Limited, which is a qualifying corporation under the two-tiered tax rate regime.

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%.

(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 derived by Kashi Yazhimei Culture Media Co., Ltd., which is a subsidiary incorporated in Xinjiang, the PRC and was entitled to an income tax exemption period from 1 January 2015 to 31 December 2019.

(e) During the year ended 31 December 2019, current income tax on profit for the year included a provision of RMB687,000 (2018: RMB921,000) in respect of withholding income tax on services income charged to the Group's PRC subsidiaries.

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	Year ended 31 December	
	2019	2018
Profits/(Loss) attributable to owners of the Company *(RMB'000)*	**361**	(35,075)
Issued ordinary shares as at 1 January *(thousands)*	**438,353**	438,353
Weighted average number of shares held for Share Award Scheme *(thousands)*	**(5,376)**	(5,680)
Weighted average number of ordinary shares held for the treasury *(thousands)*	**(436)**	–
Weighted average number of ordinary shares in issue *(thousands)*	**432,541**	432,673
Basic earnings/(loss) per share *(RMB per share)*	**0.0008**	(0.0811)

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share was same as the basic earnings/(loss) per share as there was no dilutive event existed during years ended 31 December 2019 and 2018.

8. DIVIDENDS

The Directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2019, additions to property, plant and equipment comprised adjustment from the adoption of IFRS 16 (Note 2.1.1) of RMB21,900,000, additions of RMB37,596,000 and acquisition of a subsidiary (Note 22) of RMB4,595,000, totally RMB64,091,000.

10. INVESTMENT PROPERTIES

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non-current assets – at fair value		
At 1 January	**37,380**	36,590
Changes in fair value of investment properties recognised in profit or loss	**260**	790
At 31 December	**37,640**	37,380

11. INTANGIBLE ASSETS

During the year ended 31 December 2019, additions to intangible assets amounted to RMB25,083,000, which comprised of transfer from software development in progress of RMB8,986,000, acquisition of a subsidiary of RMB12,801,000 (Note 22) and transfer from prepayment of RMB3,296,000.

12. INTERESTS IN ASSOCIATES

	2019	2018
	RMB'000	*RMB'000*
Investment in associates		
At 1 January	**1,874**	6,224
Share of post-tax losses	**(733)**	(1,677)
Impairment loss	**(1,000)**	(2,698)
Currency translation differences	**61**	25
At 31 December	**202**	1,874
Advance to an associate *(Note)*	**3,232**	3,232
Less: impairment loss	**(1,084)**	(1,000)
	2,148	2,232
	2,350	4,106

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. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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	
	2019	2018
	RMB'000	*RMB'000*
Unlisted equity investments at fair value	**549**	3,071

During the year ended 31 December 2019, the net loss on change in the fair value of the investment of RMB2,403,000 (2018: RMB2,900,000) was recognised in other comprehensive income.

14. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables *(a)*		
– Due from third parties	**214,139**	197,490
Less: ECL allowance of trade receivables *(b)*	**(6,894)**	(7,273)
Trade receivables – net	**207,245**	190,217
Other receivables:		
– Value-added tax recoverable	**15,753**	18,801
– Prepayments	**34,068**	23,125
– Printing deposits	**13,880**	13,880
– Rental, utility and other deposits	**8,176**	8,417
– Advances and loans to employees *(c)*	**9,896**	8,457
– Amount due from a related party *(c)*	**4,000**	–
– Others	**8,722**	5,086
	301,740	267,983
Less non-current portion:		
Prepayments for acquisition of property, plant and equipment	**(7,472)**	(5,234)
Prepayment for acquisition of a subsidiary	**(4,326)**	–
	289,942	262,749

The directors of the Group consider the fair values of the trade and other receivables of the Group approximate their carrying amounts.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade receivables, gross		
– Within 30 days	**88,916**	82,837
– Over 31 days and within 90 days	**64,130**	52,122
– Over 90 days and within 180 days	**38,059**	35,480
– Over 180 days	**23,034**	27,051
	214,139	197,490

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) The Group applies simplified approach to estimate ECL as prescribed in IFRS 9. Movements in ECL allowance of trade receivables were as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
At 1 January	**7,273**	6,981
ECL allowance recognised *(Note 4)*	**561**	292
ECL allowance reversed *(Note 4)*	**(940)**	–
At 31 December	**6,894**	7,273

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

15. INVENTORIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Artworks	**47,907**	48,754
Other goods	**2,841**	142
	50,748	48,896

16. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables:		
– Due to third parties *(a)*	**40,942**	32,298
Other payables:		
– Accrued taxes other than income tax *(b)*	**6,685**	6,900
– Accrued expenses	**18,479**	7,446
– Advertising and promotion expenses payable	**3,105**	3,573
– Salaries, wages, bonus and benefits payable	**1,409**	1,537
– Consideration payable for acquisition of a subsidiary *(Note 22)*	**9,000**	–
– Amount due to a related party *(c)*	**272**	–
– Other liabilities	**9,910**	5,581
	89,802	57,335

Trade and other payables of the Group are non-interest bearing, and the directors consider that their fair values approximate their carrying amounts due to their short maturities.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Trade payables		
– Within 30 days	**24,203**	15,971
– Over 31 days and within 90 days	**8,897**	8,357
– Over 91 days and within 180 days	**3,397**	5,545
– Over 180 days	**4,445**	2,425
	40,942	32,298

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

(c) Amount due to a related party is unsecured, interest-free and repayable on demand.

17. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December 2019
	RMB'000
Total minimum lease payments:	
– Due within one year	**20,998**
– Due in the second to fifth years	**21,875**
	42,873
Future finance charges on leases liabilities	**(2,803)**
Present value of leases liabilities	**40,070**
Present value of minimum lease payments:	
– Due within one year	**19,300**
– Due in the second to fifth years	**20,770**
	40,070
Less:	
Portion due within one year included under current liabilities	**(19,300)**
Portion due after one year included under non-current liabilities	**20,770**

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Details for transitions to IFRS 16 are set out in Note 2.1.1.

During the year ended 31 December 2019, the total cash outflows for the leases are RMB28,976,000.

As at 31 December 2019, the Group has entered into 27 leases for various buildings with range of remaining lease term of one to three years. These leases do not contain any option to renew the lease and subject to monthly fixed rental payment.

18. CONTRACT LIABILITIES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contract liabilities arising from billings in advance of performance	**9,368**	14,908

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.

As at 31 December 2019, the advance payments made by customers amounting to nil (2018: RMB1,600,000) are expected to be recognised as income after more than one year.

The following table shows the revenue recognised during the year that was included in the contract liability balances at the beginning of the year:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	**13,808**	13,052

19. BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current		
– Secured bank borrowings *(a)*	**109,697**	87,060
– Other unsecured borrowings *(b)*	**20,304**	14,048
	130,001	101,108
Non-current		
– Other unsecured borrowings *(b)*	**1,789**	–
	131,790	101,108

(a) As at 31 December 2019, secured bank borrowings of RMB109,697,000 (2018: RMB87,060,000) are secured by certain properties of the Group with carrying amounts of RMB137,560,000 (2018: RMB121,453,000), of which RMB38,000,000 (2018: RMB23,000,000) are guaranteed by Mr. Shao.

(b) During the year ended 31 December 2019, the Group entered into an agreement with Mr. Shao and an independent third party (the "**Lender**"), pursuant to which the other unsecured borrowings of RMB14,941,000 (which mainly comprised of RMB14,048,000 as at 31 December 2018 and addition of RMB865,000 during the year ended 31 December 2019) due to the Lender were transferred to Mr. Shao. The directors of the Company are of the opinion that the above transfer of borrowings was conducted on normal commercial terms and in the ordinary course of business. As at 31 December 2019, the other unsecured borrowings due to a related party is unsecured, repayable in one to two years and bear interest at fixed rate of 5% per annum.

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
On demand or within 1 year	**130,001**	101,108
Between 1 and 2 years	**1,789**	–
	131,790	101,108

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

	As at 31 December			
	2019		2018	
	Effective interest rate	***RMB'000***	*Effective interest rate*	*RMB'000*
Variable rate borrowings:				
– Secured bank borrowings	**5.54%**	**63,782**	6.00%	23,000
Fixed rate borrowings:				
– Secured bank borrowings	**3.00%**	**45,915**	3.52%	64,060
– Other unsecured borrowings	**5.00%**	**22,093**	5.00%	14,048
		68,008		78,108
		131,790		101,108

20. CONTINGENCIES

Saved as disclosed elsewhere in these consolidated financial statements, the Group has no material contingent liabilities as at 31 December 2019 and 2018.

21. COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Contracted but not provided for:		
– Property, plant and equipment	**3,303**	2,286
– Acquisition of a subsidiary	**1,132**	–
	4,435	2,286

(b) Lease commitments

As lessee

As at 31 December 2019, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Operating leases expiring:		
– Within 1 year	**67**	18,216
– After 1 year but within 5 years	**–**	10,648
	67	28,864

As lessor

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 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Operating leases expiring:		
– Within 1 year	**2,126**	2,126
– After 1 year but within 2 years	**2,271**	2,126
– After 2 years but within 3 years	**2,505**	2,271
– After 3 years but within 4 years	**2,505**	2,505
– After 4 years but within 5 years	**1,556**	2,505
– After 5 years	**–**	1,556
	10,963	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 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Licensing agreement expiring:		
– Within 1 year	**21,053**	22,182
– After 1 year but within 5 years	**23,970**	41,941
– After 5 years	**1,744**	2,828
	46,767	66,951

22. ACQUISITION OF A SUBSIDIARY THROUGH BUSINESS ACQUISITION

Pursuant to an investment agreement entered into between the Group, Shanghai Shangzhao Co., Ltd. ("**Shanghai Shangzhao**") (an independent third party) and the shareholders of Shanghai Shangzhao (independent third parties) on 8 April 2019, the Group agreed to subscribe for RMB2,365,500 in the registered capital of Shanghai Shangzhao, representing 51% of its enlarged registered capital, at a consideration of RMB15,000,000 (the "**Acquisition**"). Shanghai Shangzhao and its subsidiary, Shanghai Zhongshe Cultural Development Co., Ltd. (collectively, the "**Shanghai Shangzhao Group**"), were established in the PRC with limited liability and are principally engaged in the operation of galleries and cafes, organisation of photography exhibitions, operation of online shop and physical stores for sales of photography artworks in the PRC. The Acquisition was completed on 30 June 2019 (the "**Completion Date**"). Details of the Acquisition were disclosed in the Group's announcements dated 8 and 18 April 2019 respectively.

The Acquisition was made to broaden the income base of the Group to facilitate the development of the Group's art business.

The fair value of the identifiable assets and liabilities of the Shanghai Shangzhao Group acquired at the Completion Date is as follows:

	RMB'000
Property, plant and equipment	4,595
Intangible assets	12,801
Trade and other receivables	3,916
Inventories	791
Cash and cash equivalents	765
Trade and other payables	(9,136)
Lease liabilities	(4,354)
Deferred tax liabilities	(3,201)
Net assets acquired	6,177
Goodwill	11,850
Less: non-controlling interests	(3,027)
Total cash consideration	15,000

The non-controlling interests in Shanghai Shangzhao Group recognised at the Completion Date was measured by reference to the proportionate share of the recognised amounts of the Shanghai Shangzhao Group's identifiable net assets.

An analysis of the cash flows in respect of the Acquisition is as follows:

	RMB'000
Cash consideration paid	6,000
Cash and cash equivalents acquired	(765)
Cash outflow on Acquisition	5,235

As at 31 December 2019, cash consideration of RMB9,000,000 remains unpaid, and is included in "consideration payable for acquisition of a subsidiary" under trade and other payables.

Goodwill arose in Acquisition as the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the Acquisition is expected to be deductible for tax purposes.

Acquisition-related costs amounting to RMB160,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's transformation of its business model has achieved initial success in the current financial year

The platform economy has become a growth point in China's new economy, and the Group continues to expand its innovative business model by leveraging its four major media platforms in fashion, culture, art and business and through three-dimensional integration and restructuring of resources, in order to strive to keep up with the times. The Group puts further work into the development and optimisation of transformations and upgrading from print media to digital media and to platform media, with emphasis on the expansion of digital and data platforms, which will also bring development to artistic fields such as forums and exhibitions, as well as cross-regional and interdisciplinary cooperation, to seek new opportunities and growth points for the Group in the future.

In order to seek new breakthroughs and changes for development, the Group's business model is mainly divided into three major segments, namely, digital platform, art platform and print media. Among them, the revenue of the digital platform segment increased by 19.5% compared with the corresponding period in 2018, accounted for 40.9% of the total segment revenue for the current financial year, and the revenue of the art platform segment increased by 344.4% over the same period in 2018, accounted for 10.0% of the total segment revenue for the current financial year, the proportion of revenue from the digital platform segment and the art platform segment has exceeded 50%. During the year, the Group achieved a successful transformation from a business model focusing on print media business in 2018 to a business model focusing on the digital platform and art platform business segments, together with effective cost control measures, the Group has successfully turned a loss into profit in this financial year. The total EBITDA of the Group in 2019 increased significantly by RMB54,100,000, 1,653.5%.

The platform matrix of the Group includes "iWeekly", "INSTYLE優家畫報", "Bloomberg Businessweek" (Simplified Chinese and Traditional Chinese editions), "Life", "IDEAT", "Art Newspaper", "LEAP", "Numéro Magazine", "Arbiter", "LOHAS", "City Magazine" and other publications and its digital platforms. In 2017, the Group acquired Nowness, a global creative lifestyle short film platform, established its first creative space brand ZiWU in 2019, and created an innovative operation model for magazine-style physical experience space that integrates online and offline one-stop media platforms. In the same year, the Group also acquired photography art and lifestyle brand BROWNIE, and it plans to acquire the 70-year-old international authoritative art platform "ArtReview" and "ArtReview Asia" in 2020, so as to promote the new business philosophy of platform operations and restructure the innovation plan strategy.

The segment results for the financial year 2019 are as follows:

	Print Media and Art Platform Segment *RMB'000*	Digital Platform Segment *RMB'000*	Total *RMB'000*
2019			
Reportable segment revenue	**266,749**	**184,686**	**451,435**
Reportable segment (loss)/profit	**(7,850)**	**14,170**	**6,320**
Segment EBITDA	**25,869**	**31,506**	**57,375**
2018			
Reportable segment revenue	303,103	154,535	457,638
Reportable segment (loss)/profit	(32,273)	9,377	(27,896)
Segment EBITDA	(20,810)	24,802	3,272

Regarding the segment results, revenue from our digital platform segment for the financial year was approximately RMB184,686,000, representing a 19.5% increase from the corresponding period in 2018, whereas its our profit surged 51.1% over the previous year, and segment EBITDA also increased significantly by 27.0%, which was attributable to the stable advertising performance of the Group's Apps and the growth of the video business of Nowness; while the segment revenue of print media and art platform segment decreased by 12.0% in the current financial year over the same period in 2018, which was mainly due to the stagnancy in print media industry along with the turbulent macroeconomic environment. Nevertheless, benefited from the rapid growth in revenue from the art platform segment, which increased year-on-year by 344.4% compared to 2018, the loss recorded in the segment has been narrowed significantly by 75.7%, and the EBITDA of the segment has also been reversed into a profit. The overall impact to the Group's revenue for the current financial year was essentially equal to that for the previous financial year. Meanwhile, the Group achieved a satisfactory track record in 2019 by its operations in a number of sophisticated Apps and the expansion of its video business, taking advantage of its economies of scale and artistic strength. The management of the Group believes that digital platform and art platform will be the major sources of its revenue and focal points of interest in the future. The total EBITDA of the Group in 2019 increased significantly by RMB54,100,000, 1,653.5%.

(A) BUSINESS REVIEW

Digital platform segment

Amidst the overall economic downturn, the total revenue contributed by the Group's digital platform segment was still relatively impressive in the year 2019 when compared to last year, with a significant increase by 19.5%.

At the end of the financial year, the "iWeekly" had accumulated approximately 14,800,000 users on smartphone and tablet PC. "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 increased their adherence. "iWeekly" continued to be recognised as one of the most successful media applications in Chinese by Apple and Android platforms. "iWeekly" was also incorporated with an enhanced "daily news radio broadcast" function, the improvement is expected to enhance user frequency and to develop reader loyalty to the App.

"INSTYLE iLady" continued to be a comprehensive informative platform for elite women, it has already accumulated more than approximately 7,200,000 users as at the end of 2019. 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 Reporting Period, advertising revenue of "INSTYLE iLady" surged by approximately 12.0% as compared to 2018. In the future, "INSTYLE iLady" will continue to utilize the influence of social media to create more interactions with users and continuously enhance its recognition and popularity in the market.

At the end of the year, "Bloomberg Businessweek 商業週刊中文版" also successfully raised the number of its smartphone and tablet PC users to approximately 12,200,000, representing a year-on-year increase of 11.9% over the same period last year. "Bloomberg Businessweek 商業週刊中文版" was selected as one of AppStore's best apps of 2019. The iPhone version of "Bloomberg Businessweek 商業週刊中文版" is among the best-selling newspapers on AppStore newsstand and has been at the top of the list since 2015. In addition, with the high-quality content of apps and boosted recognition among business elites, during 2019, the advertising revenue of "Bloomberg Businessweek 商業週刊中文版" has seen a significant increase of 43.2% as compared with 2018. In 2019, the team behind "Bloomberg Businessweek 商業週刊中文版" has also produced a documentary series named "Business Geography", which was broadcasted on Tencent Video and amassed a cumulative click-through rate of 95,300,000 by the end of 2019. The success of this new attempt has given management greater confidence in exploring new business opportunities in new areas.

The Group hired a professional team to operate the "Nowness" video platform in the PRC, its creative and quality content had attracted an increasing number of subscribers to its WeChat account. It has also established rapidly its customer base including a group of high-end brand advertisers. In April 2019, the App

Store successfully launched the "Nowness" app, which reached 3,100,000 cumulative downloads by the end of 2019. "Nowness" generated advertising and production revenue of approximately RMB37,300,000 in 2019, which is expected to generate more revenue in the coming year.

From "iWeekly", which is approaching 15,000,000 users, to "INSTYLE iLady", to "Bloomberg Businessweek 商業週刊中文版", one of the best domestic apps, to "Nowness", the global short film website platform which wins the favour of global luxury brands with creativity and quality, the Group has forged a diversified and multi-dimensional digital matrix. We are confident that the digital business segment will further generate considerable revenue in the future and achieve significant business growth.

Art platform segment

According to the data from the National Bureau of Statistics of China, the disposable income per capita of the PRC increased by 8.9% in 2019, the consumption expenditure per capita of urban households increased by RMB28,063, and the consumer price index of urban residents for education, culture and entertainment increased by 102.3%. In 2019, the art platform segment of the Group contributed revenue of approximately RMB45,300,000 (2018: RMB10,200,000), representing an increase of 344.4% over the same period in 2018, which contributed to the transformation of our business structure. The contributed revenue includes advertising revenue from art magazines, sales of artworks, income generated from arts-related events organised by the Group and the income received from the Group's base of modern art of cultural and creative space (which includes galleries, art kitchens, studios, book stores, photography studios and retail spaces). The management has developed its membership business in 2019 and is confident that the Group's art platform business will generate more revenue in the future.

A review on the Group's development path in the art platform sector shows no signs of stopping. The Group is no longer satisfied with covering only Chinese contemporary art in the Chinese world, in which the publication of the new edition of "LEAP" in both English and Chinese in 2010 has shifted our focuses from Chinese contemporary art to broader Chinese cultural themes. At the same time, we set our gaze into the international contemporary art scene and has become an important driving force for bringing contemporary Chinese art into the international art world. In 2013, the Group co-founded "Art Newspaper/Chinese Edition" with Umberto Allemandi & Co., which brings together international and domestic art-related information and professional opinions. The digital version of "iArt" was updated daily to present to us the all-round artistic ecology from museums to the art markets, and from creation to reviews, as well as the connections and trends in art, society, culture and business. In 2014, the Group co-founded "PHOTOFAIRS Shanghai" with a joint venture set up by World Photography Organization and Angus Montgomery Arts, which greatly promoted the development of video art. In 2018, the Group co-founded THE CULTIVIST with an international art club, which provides members with personalised services and customised artistic experiences with world-class professional arts resources, and allows them to travel around the world museums, galleries and art fairs; participate in international art social events and customized art tours; in the same year, Modern Media has established a strategic partnership with the world-renowned art and design museum, Victoria & Albert Museum, for its V&A studio opened in London, which has also set up the Modern Media Gallery in the V&A Image Centre.

With continuous development and upgrading of modern consumption, the spiritual and material pursuits of consumer groups have been diversified. While traditional media focuses on the digital channels, the Group has hopped out from traditional framework of print media and digital media to focus on the development of the art platform segment. Through the use of art marketing, along with the combination of brand and art, the Group locates the contact points between brands and high-end consumers, and at the same time enhances the brands' taste and spiritual values, cultivates potential consumers and improves the competitiveness of enterprises. In 2019, the Group endeavoured to create a multi-dimensional shared lifestyle platform ZiWU, designed a new form of space magazine and formed a three-dimensional matrix to satisfy the diversified consumer demand. The space magazine included titles such as ZiWU, Modern Art Base, Modern Studio, Modern Workshop, Modern Art Kitchen and others, which continues to introduce high-quality themed exhibitions and events on art, design, fashion, music and food and attracted a great number of visitors including luxury brand designers and senior executives, international gallery owners and artists, as well as film and television stars. On the whole, ZiWU restructured the value chain and transformed resource integration into a platform through curatorial forms, and has envisioned a three-dimensional, experiential, mobile, interactive and online form of magazine. In addition, the Group intends to acquire in 2020 a majority of shareholdings of "ArtReview" and "ArtReview Asia", which were international authoritative platforms with 70 years of history, in order to lay the foundation for the Group's development in the art platform segment including the Group's integration of forum, exhibitions and other art events, as well as cross-regional and inter-disciplinary collaboration. The management believes that the art platform segment will become an indispensable source of revenue and a profit center in the future.

Print media segment

The Group commenced in the year 2019 with the publication of five weekly/bi-weekly and seven monthly/bi-monthly magazines in the PRC and Hong Kong. The contents included areas such as lifestyle, news, finance, culture, art and health. In

2019, the Group's portfolio of graphic magazines contributed advertising revenue of approximately RMB225,300,000 (2018: RMB272,700,000), representing a decrease of 17.4% as compared to the corresponding period in 2018, which is consistent with the overall downward trend of advertising market for magazines.

To cope with the tough condition in the aforesaid advertising market of magazine category, our flagship magazine, "iWeekly", although experienced a decrease in revenue, still ranked No.1 in terms of revenue in weekly magazine market according to audit report by Admango and continued to maintain the irreplaceable position among most of the print media brand advertisers.

Our rebranded magazine, "INSTYLE 優家畫報", continued to be one of the favorite women's style magazines in the market. Although it suffered from the industrial depression, it was still one of the popular choices of those luxury brand advertisers. A series of market activities organised by"INSTYLE 優家畫報" has been well received by the fashion industry, the film industry and the brand customers. The reader's club of "INSTYLE 優家畫報", "You Jia Hui" (優家薈) has become increasingly attractive to those female elites after running a series of events in several cities in the PRC. The number of members of "You Jia Hui" had kept increasing during the financial year and the club membership fees had created stable income to the Group.

"Bloomberg Businessweek 商業週刊中文版", our flagship business magazine, ranked No.7 in terms of the advertising revenue in all categories by comparing with 40 other business and financial magazines, according to the market research conducted by Admango. It had gained a wide range of recognition amongst business elites and attracted high-end brands to place advertising orders. Moreover, "Bloomberg Businessweek 彭博商業週刊" (Traditional Chinese edition) had successfully organized several finance marketing events and forums in Hong Kong in the past few years 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 this financial year rose by approximately 9.8% as compared with the same period in 2018, which has not been affected by the recession in the magazine advertising industry, it is expected that "Bloomberg Businessweek 彭博商業週刊" (Traditional Chinese edition) will host more marketing activities in the coming year to increase its reputation and income sources.

Other monthly publications from the Group's operations in the PRC and Hong Kong have recorded varying advertising revenues, among which the advertising revenue of magazines such as "Arbiter" and "LOHAS" increased over the previous year, while the revenue of other monthly publications decreased along the overall downward trend of the Group's print media business. The Group will continue to review the monthly publications portfolio to optimise the matrix of its print content, aiming for better operating results in 2020 and in the future.

(B) BUSINESS OUTLOOK

In 2020, the Group will continue to expand innovative business models, further expand and improve the transformation and upgrade from print media segment to digital media segment and to platform media segment. 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 major media digital 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.

The digital platform segment continues to be the growth engine of our business. The Group acquired an international video platform "Nowness" in 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. In addition, the Group had launched the "Nowness" App in 2019, 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 recording-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 digital platform segment to achieve satisfactory performance in 2020.

Businesses of the art platform segment 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. Art platform segment businesses will be extended to the operation of art exhibition, high-tech art club, art education, art travel, art derivatives, etc.

The Group intends to acquire in 2020 a majority of shareholding in "ArtReview" and "ArtReview Asia" which were both internationally authoritative art platforms with 70 years of history. The Group will support the innovation and development of "ArtReview" and "ArtReview Asia", especially in the expansion of their art platform segment, and will also jointly engage in forums and exhibitions in the art fields, as well as cross-regional and interdisciplinary collaborations. The "Power 100" (藝術力量百人榜), organised by "ArtReview", is an authoritative ranking of the most influential figures in the international contemporary art world. It has been successfully held for 18 sessions so far, and the Group will continue to support the release of this year's list.

The Group continues to focus on the development of innovative businesses and is committed to creating a new media business model by integrating print media with digital platforms and art platforms to create a new integrated platform integrating online and offline platforms. As the first membership-based 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, 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, which creates a new paradise “Nest” for urban cultural omnivores. “ZiWU” is actually a conception of integrating print, online and space magazines, which is a three-dimensional, experiential, mobile, interactive and networked commercial practice of the magazine’s contents by curation.

The Group acquired 51% interest in Shanghai Shangzhao Group in the financial year, Shanghai Shangzhao Group is principally engaged in the operation of galleries and cafes, organization of photography exhibitions, operation of online shops and physical stores for sales of photography artworks, all under the “BROWNIE” brand in the PRC. The management believes that by working with Shanghai Shangzhao and the “BROWNIE” brand, the Group could achieve synergy effects, as well as exploring the new commercial model for cultural convenient stores to create a new business platform for cultural enthusiasts by developing forms such as “ZiWU”.

Looking forward, the management believes that we will bring new opportunities and growth momentum to the Group through deepening the implementation of the new media platform 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 start over, and bring better development prospects and revenue to the shareholders of the Company.

(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 (2018: nil).

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on 28 May 2020. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 26 May to 28 May 2020 (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 25 May 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group recorded a net cash inflow in operating activities of approximately RMB47,800,000 (2018: RMB3,900,000). The improvement in cash flow in operating activities was largely due to the increase in sales proceeds received as a result of effective accounts receivable management. The Group recorded a net cash outflow in investing activities of approximately RMB29,500,000 (2018: RMB51,600,000), which mainly comprised of the payment for acquisition of Shanghai Shangzhao Group of RMB5,200,000, and payment for leasehold improvement on new offices in Beijing and purchase of office furniture and equipment of approximately RMB6,700,000 (2018: RMB41,200,000). The cash inflow of the Group from financing activities amounted to RMB6,400,000 (2018: RMB7,200,000).

Borrowings and gearing ratio

As at 31 December 2019, the Group's outstanding borrowings was approximately RMB131,800,000 (2018: RMB101,100,000). The total borrowings comprised secured bank loans of approximately RMB109,700,000 (2018: RMB87,100,000) and other unsecured borrowings of approximately RMB22,100,000 (2018: RMB14,000,000). The gearing ratio as at 31 December 2019 was 22.2% (31 December 2018: 15.8%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2019 and 2018, the total debts of the Group were repayable as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year or on demand	**131,790**	101,108

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the year included expenditure on purchase of new office property, maintenance of leased properties, payments for software development in progress and prepayments for property, plant and equipment of approximately RMB15,500,000 (2018: purchase of property, plant and equipment, purchase of intangible assets and payments for software development in progress of approximately RMB50,200,000).

Saved as disclosed in Note 21, the Group did not have any material capital commitments as at 31 December 2019.

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, as at 31 December 2019, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2019, the Group's bank loans of approximately RMB38,000,000 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 approximately RMB71,700,000 were secured by the office apartment in Hong Kong.

As at 31 December 2019, the Group's printing credit line in an amount of approximately RMB3,600,000 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 Renminbi ("**RMB**"), Hong Kong dollars ("**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 2019 and 2018, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 31 December 2019, the Group had a total of 488 staff (2018: 593 staff), total staff costs (including Directors' remuneration) recognized in profit or loss were approximately RMB139,400,000 (2018: RMB153,500,000). 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 OPTIONS

A share option scheme (the "**Scheme**") was conditionally adopted by a resolution in writing passed by the then sole shareholder of the Company on 24 August 2009. The Scheme has expired on the tenth anniversary of such adoption date. 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 year. No share option was outstanding under the Scheme as at 31 December 2019. Following the expiry of the Scheme, no further share option may be or has been granted thereunder.

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.

Upon expiry of the Share Award Scheme on 6 December 2019, the Company maintained control in Modern Media Employee Share Trust and the Company's shares held by Modern Media Employee Share Trust were transferred to treasury shares and were presented as a deduction in equity as "treasury shares".

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2019 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 2019 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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

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

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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**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, 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 3 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 2019 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, 23 March 2020

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. WANG Shi, Dr. GAO Hao and Mr. YICK Wing Fat, Simon.