MODERN MEDIA HOLDINGS LIMITED
ANNUAL REPORT 2019

現代傳播控股有限公司 2019年 年報

Stock Code:72

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現代傳播
Modern Media

CONTENTS

現代傳播簡介

現代傳播集團是一間新型創新的國際化復合媒體集團。國際化、時尚化、高品位、社會心是我們的企業基因。不管市場如何改變，追尋現代中國與傳播世界潮流，創建一間立足中國，胸懷世界的國際化傳播公司是我們從來沒有改變過的意志、力量和夢想。爲此，在實踐過程中我們通過不斷創新和探索，形式也可以不拘一格從平面產品到數碼產品，再到空間平台不斷更新換代，不斷賦予新的時代精神和文化創意內涵。另一方面，組織形式也可以不斷調整和發展。

我們有創建新業務的勇氣和能力。不斷去嘗試和創造不一樣的業務，讓自己和員工的生命變得不同，這是我們對自己的期許。這也是現代傳播保持年輕與活力的所在。

我們一直努力致力於把現代傳播打造爲中國領先的高端國際化傳播集團。經過二十七年的艱苦創業，現代傳播已經成爲中國領先的最具創新性和國際化的高端傳播集團。旗下擁有包括商業、文化、藝術、時尚、生活方式等不同類型的創新內容和數碼技術與空間平台等多媒體融合發展戰略平台。與國際最具影響力的國際傳播機構和組織擁有多年的合作伙伴關係，如美國的彭博商業傳媒集團、美國時代出版集團、法國出版集團等。共同出版《彭博商業周刊中文版》、《InStyle優家畫報》、《IDEAT中文版》、《Numéro中文版》等。同時，在藝術平台上也與國際知名藝術機構深入合作，與英國著名博物館V&A建立了長期的合作伙伴關系，並在倫敦的V&A總部影像中心建立了“現代傳播畫廊”，出版全球著名的《The Art Newspaper中文版》等。在中國大陸和香港創辦了超過十本雜誌《周末畫報》、《生活月刊》、《號外》、《生活家》等和超過十一年的數碼與社交媒體的發展歷史，並於三年前收購了由法國著名奢侈品品牌路易威登旗下的全球最具影響力的年輕人創意文化視頻在綫播放平台Nowness的控股權，使現代傳播進一步拓展到全球市場和進一步擴大國際知名度與影響力。

現代傳播在商業發展的同時，還一直致力於社會公益事業的發展。我們在十一年前開始幫助國内特殊教育的發展，在湖北鬆滋幫助建設了一間在國內多次獲得政府獎勵和榮誉的“現代傳播特殊教育學校”。同時，我們還建立了“現代傳播特殊教育基金會”作爲進一步擴大對特殊教育事業的支持和發展的慈善組織。社會心一直是現代傳播的基因，我們希望在社會責任中作出更多的努力和貢獻。

ABOUT MODERN MEDIA

Modern Media Group is a new and innovative international composite media group. Internationalization, style, refined taste and social responsibility are our corporate genes. No matter how the market changes, with the spirit of "Modern China, Global Version", building up an international media company based in China is our will, power and dream that have never changed. To this end, in the process of practice, through continuous innovation and exploration, the form can also be eclectic and constantly transformed from print products to digital products, and then to the space platform. We also constantly endow new spirit of the time and cultural and creative connotations. On the other hand, organizational structure can be constantly adjusted and developed.

We have the courage and ability to create new business. Constantly trying to create a different business and making our lives different are my expectation for myself and Modern Media. This is also why Modern Media are young and energetic.

We have been striving to build Modern Media into a leading, high-profile media Group in China. Over 27 years of entrepreneurship, Modern Media has become the most innovative and internationalized high-profile media group in China. The Group has different types of innovative content including business, culture, art, fashion, lifestyle, and multi-media integration strategic platforms which combine digital technology and space platform. The Group has established years of partner relationships with the most influential international media agencies and organizations, such as Bloomberg Media Group, Time Inc., French Publishing Groups. Joining hands, the Group co-published the "Bloomberg Businessweek 商業周刊中文版", "INSTYLE 優家畫報", "IDEAT 理想家", "NUMÉRO 大都" in Chinese etc.. Meanwhile, in terms of art field, the Group also cooperated with international famous art institutions, established a long-term partnership with the famous British Museum V&A, built a "Modern Media Gallery" at the Image Center of V&A Headquarters in London, and published the world-renowned "The Art Newspaper 藝術新聞" in Chinese. The Group has founded more than ten magazines in the mainland China and Hong Kong, such as "Modern Weekly", "Life Magazine", "City Magazine", "Arbiter", and boasted more than 11 years of digital and social media development history. Three years ago, the Group also acquired the controlling equity interest of Nowness, the world's most influential online platform for young people' s creative and cultural video broadcasting, from the famous French luxury brand Louis Vuitton. All these have further expanded the presence of Modern Media in the global market and further enhanced its international recognition and influence.

While developing business, Modern Media has always been committed to developing social public welfare. 11 years ago, we began to help the development of special education in China. In Songzi, Hubei Province, we supported to build a "Modern Media Special Education School" which won numerous government awards and honors in China. Moreover, we established the "Modern Media Special Education Foundation" as a charity organization to further expand the support and development for special education. The social responsibility has always been the DNA of Modern Media, in which, we hope to make more efforts and contributions.

現代傳播公司架構
MODERN MEDIA CORPORATE STRUCTURE

現代傳播大平台
MODERN MEDIA PLATFORM

平面 Print

周末画报 MODERN WEEKLY

生活 LIFEMAGAZINE

號外

InStyle 优家画报

Numéro 大都市

IDEAT理想家

商业周刊/中文版 Bloomberg Businessweek

Bloomberg Businessweek 彭博商業周刊/中文版

LOHAS 乐活

THE ART NEWSPAPER 艺术新闻

艺术界 LEAP

數碼 Digital

W

商业周刊

InStyle

IDEAT

ArtCalendar

A

乐活

VERA CITY 號外

F

现在

NOWNESS 现在

空間 Space

ZIWU 誌屋

BROWNIE art photography

Modern Art KITCHEN

MAB Modern Art Base

MAA Modern Art Academy

Modern Workshop

Modern Studio

生活方式 Lifestyle

文化 Culture

藝術 Art

商業 Business

時尚 Fashion

視頻 Video

内容中心
CONTENT ISSUER

平 面 平 台

PRINT PLATFORM

數碼平台
DIGITAL PLATFORM

iWeekly
周末畫報

Bloomberg
Businessweek
商業周刊/中文版

InStyle iLady

ART CALENDAR
展覽日歷

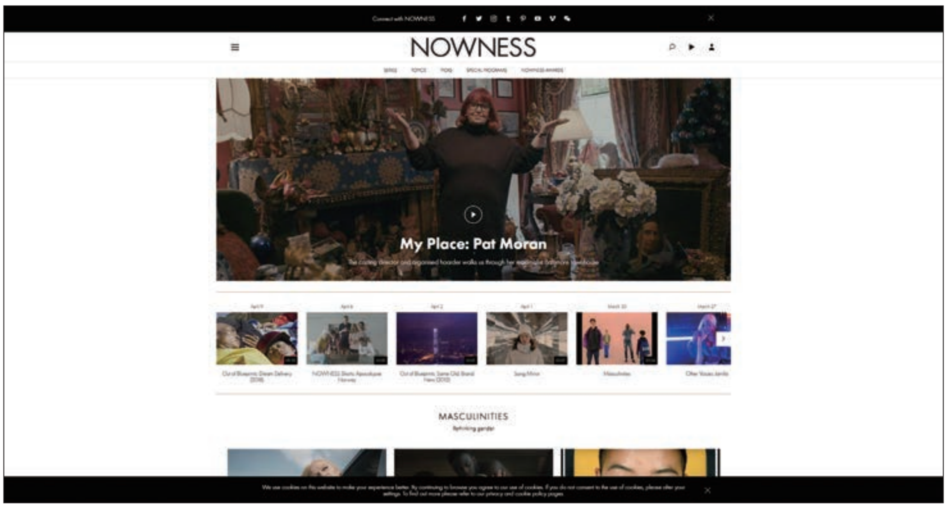
IDEAT 理想家

IART 藝術新聞

LOHAS
樂活

非常號外

NOWNESS
现在



空 間 平 台
SPACE PLATFORM

ZiWU 誌屋　BROWNIE art photography　Modern Art KITCHEN 艺厨　MAB Modern Art Base

Modern Art Academy　Modern Workshop　Modern Studio

誌屋携手Dior 迪奥特别展出
ZiWU Special exhibition with Dior

誌铺
BROWNIE
art photography

誌屋

ZiWU是一本立體化時尚空間誌，集知識、時尚、藝術與生活方式等內容於一身；是一個能夠被看到、聽到、觸摸到和被感知的創意空間。

ZiWU

ZiWU is a three-dimensional fashion space that combines knowledge, fashion, art and lifestyle, and also a creative space that can be seen, heard, touched and perceived.

ZiWU&明星
ZiWU&Star

ANGELABABY

張恩利

李宇春

R J & AA

劉嘉玲

應采兒

KIM JONES & LINDA

創辦人，董事會主席兼
首席執行官
邵忠
Shao Zhong
Founder, Chairman &
Chief Executive Officer

財務總裁，
公司秘書兼執行董事
莫峻皓
Mok
Chun Ho,
Neil
CFO, Company Secretary &
Executive Director

執行董事，運營總裁
德浩仕
Alain
Deroche
Executive Director &
Chief Operating Officer

執行董事暨上海地區總經理，
《InStyle 優家畫報》及InStyle iLady出版人，
《IDEAT理想家》出版人
楊瑩
Amy Yang
Executive Director, General Manager of
Shanghai Office, Publisher of InStyle Modern
Lady & InStyle iLady, Publisher of IDEAT CHINA

執行董事/北京地區總經理，
《商業週刊/中文版》出版人
李劍
Patrick Li
Executive Director/General Manager of Beijing Office, Publisher of Bloomberg Businessweek China

公司創始人主席的話：

共同邁向新時代
——以求新去突破 以求變去發展

現代傳播集團是一間新型創新的國際化復合媒體集團。國際化、時尚化、高品位、社會心是我們的企業基因。不管市場如何改變，追尋現代中國與傳播世界潮流，創建一間立足中國，胸懷世界的國際化傳播公司是我們從來沒有改變過的意志、力量和夢想。爲此，在實踐過程中我們通過不斷創新和探索，形式也可以不拘一格從平面產品到數碼產品，再到空間平台不斷更新換代。不斷賦予新的時代精神和文化創意內涵。另一方面，組織形式也可以不斷調整和發展。

我們有創建新業務的勇氣和能力。不斷去嘗試和創造不一樣的業務，讓自己和員工的生命變得不同，這是我們對自己的期許。這也是現代傳播保持年輕與活力的所在。

本集團在二零二零年將繼續擴大創新商業模式，進一步拓展和完善從平面媒體到數碼媒體再到平台媒體的轉型升級。平台經濟已經成爲中國新經濟的增長點，爲此，現代傳播的發展戰略經過三個發展階段從平面媒體到數碼平台再到藝術平台的轉型升級。

不停現代不斷進化是我們永恒的目標。

第一現代：平面媒體 Print Media
第二現代：數碼媒體 Digital Media
第三現代：平台媒體 Platform Media

未來最有價值的是平台企業，後互聯網時代已經到來。即平台經濟將會是未來發展的新趨勢。我們必須積極擁抱和迎接新的商業契機。我們必須堅信發展才是硬道理！

隨着技術的發展和文化的影響與社會的變革而促進商業模式的轉型與創新：
印刷技術—數碼技術—平台技術
發行網—互聯網—物聯網
信息—服務—共享

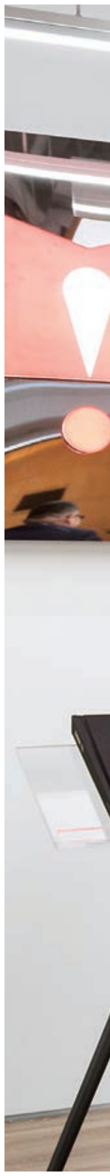
二零一九年，現代傳播數碼平台板塊與藝術平台板塊分部收益比重已超過50%，顯示現代傳播集團以平面媒體業務爲主的業務模式轉型爲以數字平台板塊業務及藝術平台板塊業務爲主的業務模式轉型初步獲得成功。

不斷出新，抓住流行文化的商機。創意文化是我們新的增長點。
創建時尚藝術化的人文創意生態小區，激發創意靈感，營造一個聚集藝術時尚潮流氛圍，將當代人生活環節與工作實現完美交織。其實很多事情都是邊做邊想出來的，如Modern Space都是在做辦公室和藝術空間時想出來的創意和生意。其實就是一個空間雜誌(Space Zine)的概念。傳播一種生活方式，讓一個中產家庭可以在周末從早到晚待在那裏，讀書學習，享受生活。爲消費者提供具有幸福感的一站式的休閑空間。空間即媒體，行爲即內容。通過價值鏈的重組和整合轉變成平台，這才是真正的升級與換代區別。
現代傳播希望運用移動互聯網平台技術平面和綫上與空間的互動用平台建築全媒體矩陣。

没有成功的企業，只有時代的企業。我們要塑造時代先鋒的企業形象。爲此，我們要將客户的生活方式與我們的品牌掛鈎。現代傳播的員工，會覺得在現代傳播上班是一份體面的工作。所以，我們不能隨便招人，我寧可高一些薪水也要招聘到更好的人才。在一個有創意有品味的公司上班對於優秀的人才來説仍然是很重要的。如果企業具有先鋒特色和品牌影響力則更會吸引優秀的人才來工作。
所以，不斷去提升和發展企業的品牌形象是非常重要的事情。讓每個同事作爲現代傳播的員工都有自豪感、有面子是我要去努力的工作。就像我個人一樣，希望我們的企業也建立起一個有魅力的企業。一個有創新精神和有創意活力，有品味和有質量具有獨特風格的代表時代先鋒標志性的企業。

新型時代，這就要求我們必須形成不斷求新求變的意識和習慣。不斷推陳出新，保持新鮮感緊貼時代潮流，而非時尚潮流。正如現代管理學之父德魯克所說：「一家企業的業務必須和時代一起發展，打上時代的印記。只有這樣經歷時代的洗禮，與社會有共鳴，才有意義。」
爲此本集團與時並進不斷通過資源整合與重組，進一步拓展創新業務的發展。我們將建立四大媒體平台，包括時尚、文化、藝術與商業平台。同時，我們將通過將平面與數碼和藝術空間體驗三者融合打造一個連接綫上綫下的新型的平台融合的媒體新商業模式，傳播一種新型流行文化的生活方式，爲消費者提供具有幸福感的一站式的休閑空間和平台。空間即媒體，行爲即內容。通過內容的策展形式，讓價值鏈的重組和整合轉變成平台，即內容空間小區電商。就是消費升級與新零售的概念。在後互聯網時代，將傳統人文精神和時尚文化創意與數碼文明進行交融，並轉化成數碼時代的生活美學落地。

力爭在二零二零年爲集團帶來新的機遇和增長點。
展望未來，管理層深信通過進一步實施拓展新的平



台媒體創新商業模式策略，特別是實體空間雜誌式體驗空間的發展模式將爲集團帶來新的機遇和增長勢頭。我們相信在全球第二大經濟體的中國市場，作爲中國大陸有二十六年歷史，最具影響力和知名度的高端集時尚、文化、藝術、商業等領域的領先地位的傳媒集團，在今年將迎來集團在香港主板上市十一周年之際一定會給股東帶來新的發展前景和收益，共同邁向新時代。

主席

邵忠

二零二零年三月二十三日

創辦人，董事會主席兼首席執行官
邵忠
Shao Zhong
Founder, Chairman & Chief Executive Officer

首席策略顧問兼名譽副主席
鄭志剛博士
Dr.Cheng Chi Kong
Chief Strategic Advisor & Honorary Vice–chairman

Chairman's Statement

MESSAGE FROM THE CHAIRMAN AND FOUNDER OF THE COMPANY

TOGETHER INTO A NEW ERA
——Making breakthroughs through innovation Seeking development through changes

Modern Media Group is a new and innovative international composite media group. Internationalization, style, refined taste and social responsibility are our corporate genes. No matter how the market changes, with the spirit of "Modern China, Global Version", building up an international media company based in China is our will, power and dream that have never changed. To this end, in the process of practice, through continuous innovation and exploration, the form can also be eclectic and constantly transformed from print products to digital products, and then to the space platform. We also constantly endow new spirit of the time and cultural and creative connotations. On the other hand, organizational structure can be constantly adjusted and developed.
We have the courage and ability to create new business. Constantly trying to create a different business and making our lives different are my expectation for myself and Modern Media. This is also why Modern Media are young and energetic.

In 2020, the Group will continue to expand its innovative business model and further expand and improve the transformation and upgrade from print media to digital media and finally to platform media. The platform economy has become the growth point of China's new economy. To this end, the development strategy of Modern Media has gone through the transformation of three development stages.

CONSTANT MODERNIZATION AND CONSTANT EVOLUTION ARE OUR ETERNAL GOALS

First Modernization:
Print Media

Second Modernization:
Digital Media

Third Modernization:
Platform Media
What is the most valuable in the future is the platform enterprise, and the post–Internet era has arrived. The platform economy will be a new trend in the future. We must actively embrace the new business opportunities.

We must firmly believe that development is the absolute truth!
Promote the transformation and innovation of business models with the development of technology, the influence of culture and the transformation of society.

Printing Technology – Digital Technology – Platform Technology
Distribution Network – Internet – Internet of Things
Information – Services – Sharing

In 2019, the proportion of the Group's revenue of the digital platform and art platform sectors has exceeded 50%, indicating the initial success of the Group's business model transformation from the print media business to the digital platform and art platform business.

KEEP BRINGING FORTH NEW IDEAS AND SEIZE THE BUSINESS OPPORTUNITIES OF POPULAR CULTURE. CREATIVE CULTURE IS OUR NEW GROWTH POINT.

Creating a humanistic creative ecological community of fashion and arts, encouraging creative inspiration and creating an atmosphere of gathering art and fashion could perfectly interweave the life links and work of contemporary people. In fact, many things are thought out and done together. For example, Modern Space is the idea and business that appeared at the time of making office and art space. In fact, it is a concept of Space Zine. Spreading a lifestyle so that a middle–class family can stay there from morning till night on weekends, reading, studying and enjoying, could provide consumers with a one–stop leisure space with happiness. Space is the media, and behavior is content. Through the restructuring and integration of the value chain into a platform, this is a real upgrade and replacement.

MODERN MEDIA WISHES TO BUILD A FULL MEDIA MATRIX THROUGH THE INTERACTIVE PLATFORM OF PRINT, DIGITAL AND SPACE BY UTILISING INTERNET TECHNOLOGY.

There are no successful corporates, only corporates in the era. We want to shape the corporate image of leading the era. To this end, we want to link our customers' lifestyles to our brands. The employees in Modern Media would feel that working in Modern Media is a decent job. Therefore, we cannot recruit people casually. I would rather hire a better talent with a higher salary. Working in a creative and tasteful company is still very important for talented people. If the company has avant-garde characteristics and brand influence, it will attract more talented people to work.

Therefore, it is very important to constantly improve and develop the brand image of the company. Letting each colleague in Modern Media has a sense of pride and face is the work that I would be committed to. Just like me, I hope that our corporate is also a charming enterprise, a pioneering and iconic company with innovative spirit, creative energy, taste and quality.

A particular era requires us to form the consciousness and habit of constantly seeking new changes. We need to constantly innovate, keep a fresh sense of the era, not a fashion trend. As Drucker, the father of modern management, said: "The business of a company must develop with the era and bear the imprint of the era. Only by experiencing the baptism of the era and resonating with society can it make sense."

To this end, the Group has continued to expand its innovative business through resource integration and reorganisation. We will build four major media platforms, including fashion, culture, art and business platforms. At the same time, we will integrate a combination of print, digital and art space experience to create a new media model that integrates online and offline platforms, which would spread a new popular culture lifestyle and provide consumers with the one-stop leisure space and platform with happiness. Space is the media, and behavior is content. Through the curatorial form of content, the reorganisation and integration of the value chain will be transformed into a platform, which is the content space community e-commerce. It is the concept of consumption upgrade and new retail. In the post-Internet era, the traditional humanistic spirit and fashion culture creativity and figure civilizations will be blended and transformed into the aesthetics of life in the digital era.

STRIVE TO BRING NEW OPPORTUNITIES AND GROWTH POINTS TO THE GROUP IN 2020.

Looking ahead, the management is convinced that the further development of the new platform media innovation business model strategy, especially the development model of the experience space of the physical space magazine will bring new opportunities and growth momentum to the Group. We believe that in the market in China, the world' s second largest economy, as the most influential and well-known high-profile media group with 26 years of history in the mainland China, which has leading position in the fashion, culture, art, business and other fields, the Group will bring new development prospects and benefits to shareholders on the occasion of the 11th anniversary of the listing on the Main Board in Hong Kong this year, and move towards a new era.

Shao Zhong
Chairman
23 March 2020

現代傳播和邵忠基金會參與捐助的 V&A攝影中心開幕

倫敦維多利亞與阿爾伯特博物館（Victoria and Albert Museum, V&A）新的攝影中心將正式對外開放，現有的攝影空間被擴大了一倍，包括現代傳播畫廊（Modern Media Gallery）的一系列新畫廊將成爲圍繞媒介發展的“文化研究”的“櫥窗”，博物館攝影部的高級策展人馬丁・巴恩斯（Martin Barnes）表示，“這是我們稱之爲攝影中心的原因”。2018年10月，攝影中心由劍橋公爵夫人，同時也是博物館贊助人凱特・米德爾頓（Kate Middleton）主持揭幕，這次開幕標誌着花費300萬英鎊的第一階段項目完成，由現代傳播集團、邵忠藝術基金會和伯恩・施瓦茲家庭基金會（Bern Schwartz Family Foundation）等共同支持。

Opening of the V&A Photography Center donated by Modern Media and Shao Foundation

The new photography centre of the Victoria and Albert Museum (V&A) will be officially opened to the public, and the existing exhibition space will be doubled, Modern Media Gallery will be included in the new collection of galleries, which will become a "window" of "cultural studies" around the development of media. Martin Barnes, a senior curator of the museum's photography department, said, "This is why we call it a photography center." In October 2018, the photography center was unveiled by Kate Middleton, the Duchess of Cambridge and also the patron of the museum. This opening marks the completion of the first phase of the ￡3 million project, which was jointly supported by Modern Media Group, the Shao Foundation and the Bern Schwartz Family Foundation.

創辦人，董事會主席兼首席執行官邵忠先生與英國王妃凱特・米德爾頓女士參觀現代傳播畫廊
Founder, Chairman & Chief Executive Officer Mr. Shao Zhong and British Princess Ms. Kate Middleton visit the Modern Media Gallery

HARVESTING WARMTH AND MOVING, THROUGH VISITING THE SPECIAL EDUCATION SCHOOL ON TEACHER' S DAY

Spread endless love, and help the disabled and devote to education. Modern Media Group has held hands with Modern Media Special Education School since 2009, and has been indispensable for 11 years. In the autumn season in September 2019, Mr. Zhao Maoan, director of the Songzi Municipal People's Congress, and Mr. Mok Chun Ho, Neil, Ms. Yang Ying, Ms. Ma Li and Ms. Cai Jingyan from Modern Media Group, visited Modern Media Special Education School in Songzi, to celebrate the 35th Teacher's Day together with the teachers and students of the school.

MERCILESS PANDEMIC BUT AFFECTIONATE HUMANS, TIMELY HELP OVER THE DIFFICULTIES

The outbreak of the Novel Coronavirus (COVID–19) pandemic has made the winter of 2020 especially cold. Merciless pandemic but affectionate humans. After knowing that the funded Modern Media Special Education School in Songzi is in the provincial capital of the outbreak center, Mr. Shao Zhong, Mr. Mok Chun Ho, Neil and other directors from Modern Media Group sent warmth condolences and emotional assistance, which melted the winter cold.

To this end, the president of Modern Media Special Education School in Songzi sent a thank–you letter:

Dear Mr. Shao: How do you do? With the donation from your company, we ordered the non–contact temperature equipment for the school to be installed at the gate. For each class equipped with infrared thermometer, mercury thermometer, mobile uv disinfection lamp, 84 disinfectant and medical alcohol. Purchased protective clothing, disposable rubber gloves, small watering can and electric sprayer for the staff responsible for disinfection. We bought hand sanitizer and face mask for the whole school. With your support, we will do our best to prevent the epidemic in our school. Thank you very much!

教師節相約市特校，收獲溫暖與感動

傳播愛心無止境，扶殘助學見真情。現代傳播集團自2009年牽手特校，十一年來不離不棄，相伴至今。2019年9月，美景如畫的金秋時節，鬆滋市人大主任趙茂安來到市現代傳播特殊教育學校，與來自香港現代傳播集團的莫峻皓先生、楊瑩女士、馬驪女士、蔡京琰女士、現代傳播特殊教育學校的師生們共度第35個教師節。

疫情無情人有情，雪中送炭渡難關

新型冠狀病毒感染的肺炎疫情來勢洶洶，讓二零二零年這個冬天顯得格外寒冷。但病毒無情人有情！在知曉資助的鬆滋市特殊教育學校處於疫情爆發中心省會后，現代傳播集團邵忠先生、莫峻皓先生等集團董事千里送溫情，為鬆滋市特殊教育學校送至慰問和傾情援助，融化了這個冬寒。

爲此，鬆滋市特殊教育學校校長發來感謝信：

尊敬的邵總：您好！貴公司捐贈的款項，我們爲學校訂購了非接觸式體溫設備安裝在大門口。爲每個班級配備了紅外綫體溫計，水銀溫度計，移動式紫外消毒燈，84消毒液及醫用酒精。爲負責消毒的工作人員購買了防護服，一次性橡膠手套，小噴壺，電動噴霧器。我們爲全校師生購買了洗手液及口罩。在您們的支持下我們全力做好學校防疫工作，非常感謝！

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shao Zhong *(Chairman and Chief Executive Officer)*
Mr. Mok Chun Ho, Neil (resigned on 9 April 2020)
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

Independent Non-executive Directors

Mr. Jiang Nanchun (resigned on 29 May 2019)
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah (resigned on 30 September 2019)
Dr. Gao Hao
Mr. Yick Wing Fat Simon (appointed on 1 October 2019)

AUDIT COMMITTEE

Mr. Au-Yeung Kwong Wah (resigned on 30 September 2019)
Mr. Yick Wing Fat Simon *(Chairman)* (appointed on 1 October 2019)
Mr. Jiang Nanchun (resigned on 29 May 2019)
Mr. Wang Shi
Dr. Gao Hao

REMUNERATION COMMITTEE

Mr. Au-Yeung Kwong Wah (resigned on 30 September 2019)
Mr. Yick Wing Fat Simon *(Chairman)* (appointed on 1 October 2019)
Mr. Jiang Nanchun (resigned on 29 May 2019)
Mr. Wang Shi (appointed on 29 May 2019)
Dr. Gao Hao

NOMINATION COMMITTEE

Mr. Wang Shi *(Chairman)*
Mr. Au-Yeung Kwong Wah (resigned on 30 September 2019)
Mr. Jiang Nanchun (resigned on 29 May 2019)
Dr. Gao Hao (appointed on 29 May 2019)
Mr. Yick Wing Fat Simon (appointed on 1 October 2019)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Dr. Gao Hao
Ms. Zhong Yuanhong

COMPANY SECRETARY

Mr. Mok Chun Ho, Neil *(FCPA ATIHK, ACIS)* (resigned on 1 April 2020)
Ms. Chan Sze Ting *(ACS, ACIS)* (appointed on 1 April 2020)

AUTHORISED REPRESENTATIVES

Mr. Shao Zhong
Mr. Mok Chun Ho, Neil (resigned on 1 April 2020)
Ms. Chan Sze Ting (appointed on 1 April 2020)

AUDITORS

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai, Hong Kong

LEGAL ADVISERS AS TO HONG KONG LAW

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Units A2, 4/F, Exhibition Centre
No. 1 Software Park Road, Zhuhai City
Guangdong Province, the PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

7/F, Global Trade Square
No. 21 Wong Chuk Hang Road
Aberdeen
Hong Kong

PRINCIPAL BANKERS IN HONG KONG

Bank of China (HK) Limited
Wing Lung Bank Limited

PRINCIPAL BANKERS IN THE PRC

China Merchants Bank
(Shanghai Branch, Xujiahui Sub-branch)
Industrial Bank Co., Limited
(Guangzhou Branch, Haizhu Sub-branch)
China MinSheng Banking Corporation
(Beijing Guangan Men Sub-branch)

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1–1103
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited
Second Floor, Century Yard, Cricket Square
P.O. Box 902
Grand Cayman, KY1–1103
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F Central Tower
28 Queen's Read Central
Hong Kong

STOCK CODE

Stock code: 72

WEBSITE

www.modernmedia.com.cn

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 Modern Media Holdings Limited (the "Company") and its subsidiaries (together, 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 is 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. This will 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 platform sectors, namely digital platform sector, art platform sector and print media sector. Among them, the revenue of the digital platform sector increased by 19.5% compared with the corresponding period in 2018, which accounted for 40.9% of the total sector revenue for the current year. The revenue of the art platform sector increased by 344.4% over the same period in 2018, which accounted for 10.0% of the total sector revenue for the current year. The proportion of revenue from the digital platform sector and the art platform sector 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. Together with effective cost control measures, the Group has successfully turned a loss into profit this year. The total EBITDA of the Group in 2019 increased significantly by RMB54,100,000, or by 1,653.5% compared with 2018.

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 2019 are as follows:

	Print Media and Art Platform *RMB'000*	Digital Platform *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 for 2019 was approximately RMB184,686,000, representing a 19.5% increase from the corresponding period in 2018, whereas 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 decreased by 12.0% in the current 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, having benefited from the rapid growth in revenue from the art platform sector, 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 year was essentially equal to that of the previous 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 the digital platform sector and art platform sector 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, or by 1,653.5% compared with 2018.

(A) BUSINESS REVIEW

Digital platform sector

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

At the end of the 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 multiple famous international media brands, which enriched its globalised contents and further enlarged the reader 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 and 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 in popularity amongst the brand advertisers and is becoming one of the main revenue streams of our digital business. During 2019, advertising revenue of "INSTYLE iLady" surged by approximately 12.0% as compared to 2018. In the future, "INSTYLE iLady" will continue to utilise 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, the advertising revenue of "Bloomberg Businessweek 商業週刊中文版" has seen a significant increase of 43.2% during 2019 as compared with 2018. Furthermore, 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, and 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 will further generate considerable revenue in the future and achieve significant business growth.

Art platform sector

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 sector 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 sector 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 Chinese contemporary 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 Organisation 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 customised art tours. In the same year, the Group 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 sector and digital platform sector to focus on the development of the art platform. 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 sector 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 sector will become an indispensable source of revenue and a profit center in the future.

Print media sector

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 having experienced a decrease in revenue, still ranked No.1 in terms of revenue in the 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 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 organised 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 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 sector to digital platform sector and to art platform sector. 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 reorganisation 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 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 utilise the brand of “Nowness” to develop a series of extended businesses, including opening brand experience stores, launching derived products, establishing theme restaurants, organising 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 to achieve satisfactory performance in 2020.

Businesses of the art platform sector 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 sector 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 sector, 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 platform sector with digital platform sector and art platform sector 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 2019. Shanghai Shangzhao Group is principally engaged in the operation of galleries and cafes, organisation 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 The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), we will start over, and bring better development prospects and revenue to the shareholders of the Company (the "Shareholders", each a "Shareholder").

(C) FINAL DIVIDEND

To preserve more financial resources in response to the market stagnancy, the directors of the Company (the "Directors") do not recommend the payment of any final dividend (2018: Nil).

(D) CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "Annual General Meeting") is scheduled to be held 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 2020 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 registrar 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 from 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 from 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 33 to the consolidated financial statements, 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. Save as disclosed in Note 3.2 to the consolidated financial statements, the Group did not have significant foreign currency risk from its operations as at 31 December 2019 and 2018.

EMPLOYEES

As at 31 December 2019, the Group had a total of 488 staff (2018: 593 staff), total staff costs (including Directors' remuneration) recognised 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 rationalisation 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 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 (the "Shares") to eligible participants, including without limitation employees of the Group, Directors and its subsidiaries.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year ended 31 December 2019. 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 recognise 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 and expired on 6 December 2019. 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). No shares was awarded or vested for the year ended 31 December 2019.

Upon expiry of the Share Award Scheme on 6 December 2019, the Board has resolved that the Share Award Scheme would not be renewed and the remaining 6,359,000 unawarded Shares would be held by a trust company. Such unawarded Shares were transferred to treasury shares and were presented as a deduction in equity as "treasury shares".

Corporate Governance Report

The Company is committed to ensuring high standards of corporate governance in the interests of the Shareholders and devotes considerable efforts to identifying and formalising best practices.

CORPORATE GOVERNANCE REPORT

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules. This report discloses how the Company has applied the principles of the CG Code for the year ended 31 December 2019.

Other than disclosed below in the paragraphs headed “Chairman and Chief Executive”, the Directors are of the opinion that the Company has compiled with the code provisions set out in the CG Code throughout the year. The Group also adheres to the recommended best practices of the CG Code insofar as they are relevant and practicable.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules (the “Model Code”). The Company has made specific enquiries to all Directors and all Directors have confirmed with the Company that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions during the year.

THE BOARD OF DIRECTORS

The board of Directors of the Company (the "Board") recognises its responsibility to act in the interests of the Company and its Shareholders as a whole. As at 31 December 2019, the Board has eight Directors: five Executive Directors and three Independent Non-executive Directors. Independent Non-executive Directors represent more than one-third of the Board.

During the year ended 31 December 2019 and up to the date of this report, the Directors of the Company are:

Executive Directors
Mr. Shao Zhong *(Chairman, Chief Executive Officer and member of Environmental, Social and Governance ("ESG") Committee)*
Mr. Mok Chun Ho, Neil *(resigned as Executive Director and member of ESG Committee on 9 April 2020)*
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

Independent Non-executive Directors
Mr. Jiang Nanchun *(resigned as Independent Non-executive Director and member of Audit Committee, Remuneration Committee and Nomination Committee on 29 May 2019)*
Mr. Wang Shi *(chairman of Nomination Committee and member of Audit Committee and Remuneration Committee)*
Mr. Au-Yeung Kwong Wah *(resigned as Independent Non-executive Director, chairman of Audit Committee and Remuneration Committee and member of Nomination Committee on 30 September 2019)*
Dr. Gao Hao *(member of Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee)*
Mr. Yick Wing Fat Simon *(appointed as Independent Non-executive Director, chairman of Audit Committee and Remuneration Committee and member of Nomination Committee on 1 October 2019)*

During the year ended 31 December 2019, Mr. Wang Shi was appointed as member of the Remuneration Committee and Dr. Gao Hao was appointed as member of the Nomination Committee on 29 May 2019.

The biographies of all the Directors, including their relationships, are set out on pages 68 to 71 of this Annual Report. Mr. Shao Zhong is the Chairman of the Board and the Chief Executive Officer of the Group, who oversees the daily operation and management and has also actively involved in the Group's restructuring, business transformation, development of art business and other development of the Group's business. Each Director brings a wide range and years of business experience to the Board. The Directors' combined knowledge, expertise and experience are extremely valuable in overseeing the Group's business. The Board sets the strategic direction and oversees the performance of the Group's business and management. The following key matters must be approved by the Board before decisions are made on behalf of the Company:

- Strategic direction
- Budgets
- Interim and annual financial results
- Interim and annual financial reports
- Significant investments
- Major acquisitions and disposals
- Major financings, borrowings and guarantees
- Material contracts
- Risk management

In addition, the Board discusses major operating issues, evaluates opportunities and business risks, and considers corporate communications and human resources issues. Decisions and conduct of matters other than those specifically reserved to the Board are delegated to management.

The Board will review the arrangements between the responsibilities of the Board and the matters delegated to management from time to time to ensure that they remain appropriate to the need of the Group and its business.

Board Proceedings

The Board holds regular meetings quarterly, and also meets at such other times as are necessary. Agenda of Board meetings are presented to the Directors for comments and approval and notices of regular Board meetings are sent at least 14 days before the meetings. The Board is provided with adequate, timely and reliable information about the Group's business and developments before each Board meeting at which the Directors actively participate and hold informed discussions. All Directors are asked to review and comment on the Board minutes within a reasonable time after the meetings to maintain accurate records of Board discussions and decisions. The number of Board meetings held and meetings attended by each of the Directors during the year were as follows:

Name of Director	Meetings attended	Meetings held during 2019
Executive Directors:		
Mr. Shao Zhong	5	6
Mr. Mok Chun Ho, Neil *(resigned on 9 April 2020)*	6	6
Ms. Yang Ying	5	6
Mr. Li Jian	5	6
Mr. Deroche Alain, Jean-Marie, Jacques	6	6
Independent Non-executive Directors:		
Mr. Jiang Nanchun *(resigned on 29 May 2019)*	0	6
Mr. Wang Shi	0	6
Mr. Au-Yeung Kwong Wah *(resigned on 30 September 2019)*	5	6
Dr. Gao Hao	6	6
Mr. Yick Wing Fat Simon *(appointed on 1 October 2019)*	0	6

Apart from the abovementioned Board meetings, the Chairman also held a meeting with the Independent Non-executive Directors without presence of other Directors during the year.

Notes:

1. On 3 December 2009, the Board resolved that, for transactions falling under Chapter 14 of the Listing Rules but with the amount involved less than HK$20 million and that all relevant percentage ratios not exceeding 5%, the same may be approved by any two Executive Directors, provided that within 5 working days from the date of signing of the agreement(s) for the transaction, a copy of such agreement(s) must be circulated to all Directors (including Independent Non-executive Directors). Out of the 6 Board meetings held, none falls within such category of meeting.

2. During the year ended 31 December 2019, the Board has circulated and passed one written resolution, apart from the physical Board meetings stated above.

3. The Annual General Meeting for year 2018 was held on 29 May 2019 and all the 5 Executive Directors and 1 Independent Non-executive Director (Mr. Au-Yeung Kwong Wah) attended the said Annual General Meeting.

4. Mr. Yick Wing Fat Simon was appointed as Independent Non-executive Director on 1 October 2019 and there was not any Board meeting convened after that date.

All the Directors have access to the advice and services of the Company Secretary to ensure all board procedures are followed. There are also written procedures for the Directors to obtain independent professional advice at the Company's expense.

Appointment, Re-election and Removal of Directors

Each of our Executive Directors has entered into a service contract with the Company for a term of three years. Furthermore, the Board confirms the term of appointment and functions of all Independent Non-executive Directors and Board committee members with formal letters of appointment. Each Independent Non-executive Director is appointed for an initial term of two years.

Directors who are appointed to fill vacancies are subject to re-election at the first Annual General Meeting of the Company after his or her appointment. In addition, every Director, including every Independent Non-executive Director, shall retire from office by rotation at least once every three years. One-third of the Directors are required to retire by rotation from office at every Annual General Meeting under the Company's articles of association (the "Articles"). A retiring Director is eligible for re-election.

Induction and Continuing Development of Directors

The Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company. The training records of each director for the year were as follows:

Name of Director	Reading materials relevant to the Company's business or to their duties and responsibilities	Attending training courses on the topics related to corporate governance or regulations
Executive Directors:		
Mr. Shao Zhong	✓	✓
Mr. Mok Chun Ho, Neil *(resigned on 9 April 2020)*	✓	✓
Ms. Yang Ying	✓	✓
Mr. Li Jian	✓	✓
Mr. Deroche Alain, Jean-Marie, Jacques	✓	✓
Independent Non-executive Directors:		
Mr. Jiang Nanchun *(resigned on 29 May 2019)*	✓	✓
Mr. Wang Shi	✓	✓
Mr. Au-Yeung Kwong Wah *(resigned on 30 September 2019)*	✓	✓
Dr. Gao Hao	✓	✓
Mr. Yick Wing Fat Simon *(appointed on 1 October 2019)*	✓	✓

During the year, all Directors of the Company received regular updates on the Group's business, operations, risk management and corporate governance matters. Materials on new or changes to salient laws and regulations applicable to the Group were provided to the Directors. They also attended regulatory update sessions and seminars on relevant topics. All Directors were requested to provide the Company with their respective training record pursuant to the CG Code.

Remuneration of Directors and Senior Management

The Directors' fees and all other reimbursements and emoluments paid or payable to the Directors during the year are set out, on an individual and named basis, in note 39(a) to the consolidated financial statements of this Annual Report on page 205. The remuneration policy of the Group is set out on page 65 of this Annual Report.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Biographical Details of Directors & Senior Management" in this Annual Report by band is set out in note 9 to the consolidated financial statements of this Annual Report on page 155.

Independence of Independent Non-executive Directors

The Board has received from each of the Independent Non-executive Directors a confirmation of his independence according to the guidelines set out in Rule 3.13 of the Listing Rules.

The Board is of the view that all Independent Non-executive Directors of the Company are independent and is grateful for the contribution and independent advice and guidance that they have been giving to the Board and the Board committees.

Other matters relating to the Board

In relation to financial reporting, all Directors acknowledge their responsibilities for preparing the accounts of the Group. The Group has appropriate insurance in place to cover the liabilities of the Directors and senior executives of the Group.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Shao was the Chairman of the Board and Chief Executive Officer of the Group. The Board believes that with the support of the management, vesting the roles of both the Chairman and Chief Executive Officer in Mr. Shao, the founder of the Group, can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. The Board therefore considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

The balance of power and authority is also ensured by the operations of the Board, which comprises experienced and high caliber individuals and meets regularly to discuss issues affecting operations of the Company. There is a strong independent element in the composition of the Board. Out of the 8 Board members, 3 are Independent Non-executive Directors. The Board believes that the structure was conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently and the interests of the Shareholders will be adequately and fairly represented. The Board believes that Mr. Shao's appointment to the posts of Chairman and the Chief Executive Officer was beneficial to the business prospects and management of the Company.

BOARD COMMITTEES

The Board has established the Audit, Remuneration, Nomination and Environmental, Social and Governance Committees with written terms of reference to deal with certain corporate governance aspects of the Group. The terms of reference of these committees are published on the Company's website (www.modernmedia.com.cn) and the Stock Exchange's website. From time to time, the Board also establishes other board committees to deal with specific aspects of its business. Each committee is appointed with written terms of reference and each member of the committee has a formal letter of appointment setting out key terms and conditions relating to his appointment. Each committee meets as frequently as required by business developments and the operation of the Group. Committee members are provided with adequate and timely information before each meeting or discussion. All committee members are asked to review and comment on the minutes of their meetings within a reasonable time after the meetings. The procedures and arrangements relating to the meetings of the Board apply to meetings of the Board committees wherever appropriate.

AUDIT COMMITTEE

The Company has established the Audit Committee in 2009 with written terms of reference. As at 31 December 2019, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Mr. Wang Shi and Dr. Gao Hao.

The Audit Committee members have professional qualifications and experience in financial matters that enable the Audit Committee to exercise its powers effectively and provide the Board with independent views and recommendations in relation to financial matters.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and the internal control procedures of the Group. The terms of reference of the Audit Committee are aligned with the recommendations as set out in “A Guide for Effective Audit Committees” issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Given below are the main duties of Audit Committee:

(a) To consider the appointment of the external auditors and any question of resignation or dismissal;

(b) To discuss with the external auditors before the audit commences, the nature and scope of the audit;

(c) To review the half-year and annual financial statements before submission to the board, focusing particularly on:

  (i) Any changes in the accounting policies and practices adopted by the Group;

  (ii) Major accounting estimates and judgmental areas;

  (iii) Significant adjustments following the audit;

  (iv) The going concern assumption;

  (v) Compliance with accounting standards; and

  (vi) Compliance with the requirements of the Stock Exchange and related legal requirements;

(d) To discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

(e) To review the audit program of the internal audit function (if applicable); and

(f) To oversee the Company’s financial reporting system and internal control system, and in particular the risk management system.

The Audit Committee holds two regular meetings annually and also meets at such other times as are necessary. Any Audit Committee member may convene a meeting of the Committee. The external auditor may also request the Audit Committee Chairman to convene a meeting of the Audit Committee. The Audit Committee may invite the external auditor and/or members of management to attend any of the meetings. Special meetings may be called at the discretion of the Audit Committee Chairman or at the request of management to review significant internal control or financial issues. The Audit Committee Chairman reports to the Board at least twice a year on the Audit Committee's activities and highlights any significant issues. The number of meetings of the Audit Committee held and attended by each of the Audit Committee members during the year were as follows:

Name of Director	Meetings attended	Meetings held during 2019
Mr. Au-Yeung Kwong Wah *(resigned on 30 September 2019)*	2	2
Mr. Yick Wing Fat Simon *(Chairman) (appointed on 1 October 2019)*	0	2
Mr. Jiang Nanchun *(resigned on 29 May 2019)*	0	2
Mr. Wang Shi	0	2
Dr. Gao Hao	2	2

Note:

1. During the year ended 31 December 2019, the Audit Committee had not circulated and passed any written resolution apart from the physical committee meetings stated above.

2. Mr. Yick Wing Fat Simon was appointed as Independent Non-executive Director on 1 October 2019 and there was not any Committee meeting convened after that date.

The following is a summary of the work performed by the Audit Committee during the year ended 31 December 2019:

(a) Approved the remuneration and terms of engagement of the external auditors;

(b) Reviewed the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) Discussed with the external auditors regarding the nature and scope of the 2019 audit;

(d) Reviewed the half–year and annual financial statements of the Group before the submission to the Board for the approval;

(e) Reviewed the Group's financial reporting, internal controls and risk management processes; and

(f) Met the external auditors without the presence of the Board members.

The Board has not taken any view that is different from that of the Audit Committee nor rejected any recommendation presented by the Audit Committee in 2019.

The external auditors were invited to attend the Audit Committee meetings held during the year to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters. The Chairman of the Audit Committee provided the Board with a briefing on the significant issues after each Audit Committee meeting. There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 December 2019.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in 2009 with written terms of reference. As at 31 December 2019, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Mr. Wang Shi and Dr. Gao Hao. The primary duties of the Remuneration Committee are to make recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all Directors and senior management of the Company by making reference to market rates, their duties and responsibility to determine on behalf of the Board the specific remuneration packages and conditions of employment for all the Executive Directors and senior management of the Company.

The duties of the Remuneration Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Remuneration Committee usually meets once a year and at such other time as is necessary. Any Remuneration Committee member may convene a meeting of the Remuneration Committee. The number of meetings of the Remuneration Committee held and attended by each of the Remuneration Committee members during the year were as follows:

Name of Director	Meetings attended	Meetings held during 2019
Mr. Au-Yeung Kwong Wah *(resigned on 30 September 2019)*	1	2
Mr. Yick Wing Fat Simon *(Chairman) (appointed on 1 October 2019)*	0	2
Mr. Jiang Nanchun *(resigned on 29 May 2019)*	0	2
Mr. Wang Shi *(appointed on 29 May 2019)*	1	2
Dr. Gao Hao	2	2

Notes:

1. During the year ended 31 December 2019, the Board had not circulated and passed any written resolution apart from the physical board meetings stated above.

2. Mr. Yick Wing Fat Simon was appointed as Independent Non-executive Director on 1 October 2019 and there was not any Committee meeting convened after that date.

During the year ended 31 December 2019, the Remuneration Committee has performed the following work:

(a) Reviewed and discussed the remuneration policy of the Group and the remuneration packages of the Directors and the senior management members;

(b) Reviewed the remuneration of the Executive Directors; and

(c) Recommended the Board on the remuneration and terms for the appointment of Mr. Yick Wing Fat Simon as Independent Non-executive Director.

Details of the remuneration of each Director and the remuneration of the members of the senior management by band for the year ended 31 December 2019 are set out in notes 9 and 39(a) to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in 2012 with written terms of reference. As at 31 December 2019, the Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Wang Shi (Chairman), Dr. Gao Hao and Mr. Yick Wing Fat Simon. The primary duties of the Nomination Committee are reviewing the structure, size and composition of the Board annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of Directors having regard to the balance of skills and experience appropriate to the Group's business and the Board diversity.

The duties of the Nomination Committee, as set out in its terms of reference, adhere to the relevant CG Code. The Nomination Committee usually meets once a year and at such other time as is necessary. Any Committee member may convene a meeting of the Nomination Committee. The number of meetings of the Nomination Committee held and attended by each of the Nomination Committee members during the year were as follows:

Name of Director	Meetings attended	Meetings held during 2019
Mr. Wang Shi *(Chairman)*	2	2
Mr. Au-Yeung Kwong Wah *(resigned on 30 September 2019)*	1	2
Mr. Jiang Nanchun *(resigned on 29 May 2019)*	0	2
Dr. Gao Hao *(appointed on 29 May 2019)*	1	2
Mr. Yick Wing Fat Simon *(appointed on 1 October 2019)*	0	2

Notes:

1. During the year ended 31 December 2019, the Committee had not circulated and passed any written resolution apart from the physical committee meetings stated above.

2. Mr. Yick Wing Fat Simon was appointed as Independent Non-executive Director on 1 October 2019 and there was not any Committee meeting convened after that date.

When making recommendations regarding the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board, the Nomination Committee shall consider a variety of factors including but not limited to the following in assessing the suitability of the proposed candidate:

(a) the needs of the Board and the respective committees of the Board and the current size and composition of the Board;

(b) the proposed candidate's character, experience and integrity;

(c) accomplishment and reputation in the business and other relevant sectors relating to the Group's business or development;

(d) commitment in respect of sufficient time and attention to the Company's business;

(e) in accordance with the Board diversity policy as stated in the paragraph headed "Board Diversity Policy" below, diversity in all aspects, including but not limited to skills, experience, knowledge, expertise, culture, independence, age and gender;

(f) the ability to assist and support management and make significant contributions to the Company's success;

(g) proposed candidate's understanding of the fiduciary responsibilities that is required of a director and the commitment of time and energy necessary to diligently carry out those responsibilities; and

(h) any other factors as the Nomination Committee may deem fit to consider in the best interests of the Company and Shareholders.

Once the Nomination Committee determines that an additional or replacement director is required, the Nomination Committee may take such measures that it considers appropriate in connection with its evaluation of a candidate, including candidate interviews, inquiry of the person or persons making the recommendation or nomination, engagement of an outside search firm to gather additional information, or reliance on the knowledge of the members of the Nomination Committee, the Board or management.

During the year ended 31 December 2019, the Nomination Committee has performed the following work:

(a) Reviewed and discussed the structure and composition of the Board;

(b) Reviewed and discussed the policy for the nomination of Directors;

(c) Assessed the independence of the Independent Non-executive Directors; and

(d) Recommended the Board on the appointment of Mr. Yick Wing Fat Simon as Independent Non-executive Director.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Company has established the ESG Committee in 2016 with written terms of reference. As at 31 December 2019, the ESG Committee comprises three Executive Directors, namely Mr. Shao Zhong (Chairman), Mr. Mok Chun Ho, Neil and Dr. Gao Hao and a senior management member, namely Ms. Zhong Yuan Hong. The primary duties of the ESG Committee are (i) to formulate and implement the ESG policies and strategies; (ii) to set-up the key performance indicators and monitor the progresses and the end-results; and (iii) to review and revise the ESG policies to ensure the effectiveness of implementation.

The duties of the ESG Committee, as set out in its terms of reference, adhere to the relevant CG Code. The ESG Committee shall meet at least once a year and at such other time as is necessary. Any Committee member may convene a meeting of the ESG Committee. The ESG Committee did not hold any meetings during the year.

Board Diversity Policy

On 15 August 2013, the Company adopted the Board diversity policy (the “Board Diversity Policy”) in accordance with the requirement set out in code provision of the CG Code. The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as essential in achieving a sustainable and balanced development.

The Board has considered measurable objectives based on the following focus areas: (i) professional skills, experience, knowledge and expertise; (ii) gender; (iii) age; and (iv) culture and ethnicity. Such objectives will be reviewed from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained. The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

As at the date of this Annual Report, the Board comprises eight Directors. Three of them are Independent Non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, in particular, in terms of professional expertise and experience, age, culture and ethnicity.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Up to the date of this Annual Report, the Board met once to review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Government Report.

INTERNAL CONTROLS

The Group has established internal controls in all material aspects of its business including financial, operational, compliance and risk management functions. These internal controls are intended to safeguard the Shareholders' investments and the Group's assets. To the extent relevant, the Group's internal control framework uses aspects from the internal control and risk management framework proposed by the HKICPA.

The responsibilities for maintaining the Group's internal controls are divided between the Board and management. The Board is responsible for setting and reviewing internal control policies to monitor the Group's internal control systems. The Board delegates the implementation of these policies to management. Management is responsible for identifying and evaluating the risks faced by the Group and for designing, operating and monitoring an effective internal control system which implements the policies adopted by the Board. The Company has set up its own internal audit department to perform an internal audit function in 2010. Audit plans, risk assessments and internal audit reports are presented to and reviewed by the Audit Committee and the Board. The Board acknowledges that it is responsible for the Group's systems of internal control and for reviewing its effectiveness. Preliminary reviews of the Group's financial controls, internal control and risk management systems prior to formal reviews by the Board have been delegated to the Audit Committee in accordance with its terms of reference. The Audit Committee reviews the Group's financial controls, internal control and risk management systems at its regular Audit Committee meetings. It should be noted, however, that while a sound and well-designed system of internal control helps to provide reasonable safeguards to assist the Group in achieving its business objectives, the system itself cannot provide protection with certainty against the Group failing to meet its business objectives or against all material errors, losses, fraud or breaches of laws or regulations. For this reason, the Board's review of the internal controls should not be treated as an absolute assurance that one of the risks mentioned above would not materialise. The Board reviewed the effectiveness of the Group's material controls, including financial, operational and compliance controls and risk management functions as well as the adequacy of resources, qualifications and experience of staff of its accounting and financial reporting function and their training programs and budget during the year and considered the Group's system of internal controls to be satisfactory.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear ad understandable assessment of annual and interim reports, inside information announcements and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

The Directors have acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR

Grant Thornton Hong Kong Limited ("Grant Thornton") was first appointed as the external auditor of the Group in 2016. During 2019, Grant Thornton provided the following audit and non-audit services to the Group:

	Year ended 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Audit services	1,490	1,423
Other non-audit services	250	236
Total	1,740	1,659

Grant Thornton will retire and offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company.

A statement by Grant Thornton about their reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report section of this Annual Report on pages 92 to 97.

COMPANY SECRETARY

During the year ended 31 December 2019, the Company Secretary of the Company, Mr. Mok Chun Ho, Neil, who was also the Executive Director, was responsible for supporting the Board, ensuring good information flow within the Board and Board policy and procedures were followed, advising the Board on governance matters, facilitating induction and, monitoring the training and continuous professional development of Directors. He has attained no less than 15 hours of relevant professional training during the year.

Mr. Mok Chun Ho, Neil resigned from the position of Company Secretary on 1 April 2020 and Ms. Chan Sze Ting was appointed as the Company Secretary on 1 April 2020. As Ms. Chan has been engaged and appointed by the Company as the Company Secretary in the capacity of an external service provider, the Company has designated Mr. Shao Zhong, Chairman of the Board, to be the contact person of Ms. Chan pursuant to Code Provision F.1.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

All of the Company's shares are ordinary shares carrying equal voting rights. As at the date of this Annual Report, sufficient shares of the Company were on public float as required by the Listing Rules. The Board and management recognise their responsibility to act in the best interests of the Company and its Shareholders as a whole. Shareholder relations play an integral part in corporate governance. The Group keeps Shareholders informed of its performance, operations and significant business developments by adopting a transparent and timely corporate disclosure policy which complies with the Listing Rules and provides all Shareholders equal access to such information. The Company reports on financial and operating performance to Shareholders twice each year through annual and interim reports. The Company gives Shareholders the opportunity to raise concerns or propose recommendations to the Board at the Company's Annual General Meetings. A representative of the Company's external auditor is requested to attend the Annual General Meetings to answer questions about the external audit and the audit report. Shareholders may visit our website: www.modernmedia.com.cn for up-to-date financial and other information about the Group and its activities.

The Company promotes fair disclosure of information to all investors and care is taken to ensure that analyst briefings and other disclosures made by the Company comply with the Listing Rules' prohibition against selective disclosure of inside information. Shareholders have specific rights to convene extraordinary general meetings under the Company's Articles.

1. Procedure for Shareholders to convene an extraordinary general meeting

1.1 The following procedures for Shareholders to convene an extraordinary general meeting (the "EGM") of the Company are prepared in accordance with Article 64 of the Articles:

(1) One or more Shareholders (the "Requisitionist(s)") holding, at the date of the deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice (the "Requisition"), to require an EGM to be called by the Directors for the transaction of any business specified therein.

(2) Such Requisition shall be made in writing to the Board or the Company Secretary of the Company via email at the email address of the Company at hk@modernmedia.com.hk.

(3) The EGM shall be held within two months after the deposit of such Requisition.

(4) If the Directors fail to proceed to convene such meeting within 21 days of the deposit of such Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

2. Procedure for raising enquiries

To ensure effective communication between the Board and the Shareholders, the Company has adopted a Shareholder Communication Policy on 29 February 2012.

2.1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar, Link Market Services (Hong Kong) Pty Limited, via send email to hkenquiries@linkmarketservices.com or call its hotline at (852) 3707 2600, or go in person to its public counter at Suite 1601, 16/F., Central Tower, 28 Queen's Road Central, Hong Kong.

2.2 Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at hk@modernmedia.com.hk, fax: (852) 2891 9719 or mail to 7/F, Global Trade Square, 21 Wong Chuk Hang, Aberdeen, Hong Kong. Shareholders may call the Company at (852) 2250 9188 for any assistance.

3. Procedure and contact details for putting forward proposals at Shareholders' meetings

3.1 To put forward proposals at a general meeting of the Company, Shareholders should lodge a written notice of his/her/its proposal (the "Proposal") with his/her/its detailed contact information via email at the email address of the Company at hk@modernmedia.com.hk.

3.2 The identity of the Shareholder and his/her/its request will be verified with the Company's branch share register in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a Shareholder, the Board will determine in its sole discretion whether the Proposal may be included in the agenda for the general meeting to be set out in the notice of meeting.

3.3 The notice period to be given to all the Shareholders for consideration of the Proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(1) Notice of not less than 21 clear days in writing if the Proposal requires approval by way of an ordinary resolution in an Annual General Meeting or a special resolution of the Company;

(2) Notice of not less than 14 clear days in writing if the Proposal requires approval in meeting other than an Annual General Meeting.

Up to the date of this Annual Report, no Shareholder has requested the Company to convene an EGM.

The Company's next Annual General Meeting will be held on 28 May 2020. For details, please refer to the notice of the Annual General Meeting published on the Company's and the Stock Exchange's websites.

If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 3 hours before the meeting time on the date of the meeting, then the meeting will be postponed. The Company will post an announcement on the Company's website (www.modernmedia.com.cn) and HKEx's website (www.hkexnews.hk) to notify Shareholders of the date, time and place of the rescheduled meeting. The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association of the Company were amended pursuant to a special resolution passed on 28 May 2012. The latest Articles are available on the HKEx's and Company's websites. There was no change to the Company's Articles during the year 2019.

CONCLUSION

The Company strongly believes that good corporate governance can safeguard the effective allocation of resources and protect Shareholders' interest and the management tries to maintain, strengthen and improve the standard and quality of the Group's corporate governance.

Directors' Report

The Directors are pleased to submit their report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

BUSINESS REVIEW

Key financial and business performance indicators

The key financial and business performance indicators comprise profitability growth, return on equity, dividend growth and gearing ratio. Details of profitability analysis are shown in "Management Discussion and Analysis" section of this Annual Report. The Group's return on equity, based on profit/loss for the year to net assets, narrowed down from -7.6% to 0.5% in the year under review as compared to the previous year, which was mainly due to the improving advertising performance and narrowing of losses made. The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019 to preserve more financial resources in response to the market stagnancy. The Group's gearing ratio, calculated based on total debts to total assets, increased from 15.8% in as at 31 December 2018 to 22.2% as at 31 December 2019. The Group will continue to safeguard its capital adequacy position, whilst to maintain a balance between business growth and risk management.

Environmental, social and governance

The Group is committed to contributing to the sustainability of the environment and maintaining a high standard of corporate social governance essential for creating a framework for motivating staff, and contributes to the community in which we conduct our businesses and creating a sustainable return to the Group.

In 2016, the Board established the ESG Committee to formulate the policies and implement the procedures to deal with environmental, social and governance affairs of the Group. Please refer to the ESG Report on pages 72 to 91 of this Annual Report.

Environmental protection

The Group has implemented internal recycling program on a continuous basis for consumable goods such as toner cartridges and paper in order to minimise the impact on the environment and natural resources being caused by the Group's operations. Recycled papers have also been used as the Group's key printing materials. The Group also implemented energy saving practices in offices and branch premises where applicable. The Group also plans to complete the upgrade of air-conditioning and electricity systems to achieve the energy saving and provision of clear air to workplace where possible.

Workplace quality

The Group is an equal opportunity employer and encourages diversity regardless of age, gender, marital status and race. A Board Diversity Policy, with the aim of enhancing the Board's performance by diversity, was adopted in 2013.

The Group believes that employees are the most important and valuable assets of the Group and regards human resources as its corporate wealth. The Group is people-focused, we attract and retain key personnel and talents with appropriate skills, experience and competence which would complement and meet the corporate and business objectives of the Group.

We provide on-the-job training and development opportunities to promote staff self-actualisation and enhance our employees' career progression. We also encourage staff participation of external seminars and lectures to keep abreast of changes and updates on areas of legal, compliance, financial accounting and tax knowledge. It is believed that staff knowledge and skills are aligned and enhanced through relevant, systematic and planned trainings which in return can improve the efficiency and productivity of the Group.

The Group encourages continuous professional development training for the Directors and senior management to develop and refresh their knowledge and skills which includes updates on regulatory requirements and development and corporate governance practices through seminars and workshops.

The Group provides competitive remuneration package to attract, retain and motivate the employees. It offers competitive remuneration, medical benefits, insurance and leave entitlement commensurate to market standards, and we regularly review the remuneration package of employees and make necessary adjustments to conform to the market standards. We establish and implement policies that promote a harmonious and productive workplace.

Compliance with laws and regulations

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Company is aware, it has complied in material aspects with the relevant laws and regulations that have significant impacts on the business and operation of the Company and its subsidiaries.

Relationships with key stakeholders

The Group's success also depends on the support from key stakeholders which comprises employees, customers, service vendors, regulators and Shareholders.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Groups' human resource management is to reward and recognise our staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by providing appropriate trainings and opportunities within the Group for career advancement.

Customers

The Group's principal customers are from 4A advertising companies and branded customers which place their advertisements on our print and digital media products. The Group has the mission to provide excellent and creative customer services whilst maintaining our long-term profitability, business and assets growth. Various means have been established to strengthen the communication between the customers and the Group in order to provide excellent customer services, which in turn achieves further market penetration and expansion.

Service vendors

Sound relationships with key service vendors of the Group are important in supply chain which can derive cost effectiveness and foster long-term business benefits. The key service vendors comprise the printing vendors, overseas and local licensors, contents providers, photos suppliers and other business partners which provide value-added services to the Group.

Regulators

The Group operates in advertising sector which is regulated by the Stock Exchange, the Securities and Futures Commission, the News and Publication Bureau ("新聞出版局") and the Industrial and Communication Department ("工業和信息化部") in the PRC and other relevant authorities. It is the Group's desire to keep up-to-date and ensure the compliance with new rules and regulations.

Shareholders

One of the corporate goals of the Group is to enhance corporate value to the Shareholders. The Group is poised to foster business developments for achieving sustainable earnings growth and rewarding the Shareholders by stable dividend payouts taking into account the capital adequacy levels, liquidity positions and business expansion needs of the Group.

Principal risks and uncertainties

The Board is ultimately responsible for ensuring that the risk management practices of the Group are sufficient to mitigate the risks present in our businesses and operations as efficiently and effectively as possible. The Board delegates some of this responsibility to various operational departments.

The Group's principal business activities comprise 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. It will be exposed to a variety of key risks including market risk, credit risk and liquidity risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 to the consolidated financial statements of this Annual Report.

The Group's business and profitability growth in the year under review is affected by the volatility and uncertainty of macro-economic conditions in the PRC and Hong Kong. The PRC government had continued on with its anti-corruption crack down which severely impacted the sentiment of the retail market, especially in luxury consumption. The brand advertisers cut down their budget which was reflected in the downward trend of the advertising spending in recent years. The long-term business and profitability growth of the Group is expected to continue to be affected by the changes in macro-economic variables including real GDP growth, consumer price index, credit demand, unemployment rate, etc. of the PRC and Hong Kong.

Future business development

In the coming future, we will continue to foster the implementation of vertical industry chain integration, upgrade and optimise the existing assisted purchase feature on e-commerce, enhance online and offline activity and develop the integrated marketing brand consultancy service. Also, we will further develop the art sector business by leveraging on our existing strengths of our art and commercial media platforms through the organisation of art exhibitions or activities and the provision of art consultation services.

Despite the foregoing, the Group will continue to seek sustainable business expansion and market penetration, and to pursue profitability growth by diversification of our income streams, improvement of cost efficiency and control of bad debts. The Group will also adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

Directors' Report *(continued)*

On 10 March 2017, the Company entered into an investment agreement (the "Investment Agreement") with Hong Kong Septwolves Invest-Holding Limited ("Septwolves Invest"), pursuant to which each of the Company and Septwolves Invest have agreed to subscribe for certain shares of Modern Digital Holdings Limited ("MDHL"), a wholly-owned subsidiary of the Company. The Company is of the view that, apart from providing an immediate funding and increasing the liquidity of the Group, introducing Septwolves Invest, whose ultimate controlling shareholders have the expertise, rich resources and networking, as a strategic shareholder of MDHL would optimise sales network of MDHL, and assist MDHL in developing and strengthening its long-term business development by leveraging on the financial strength and extensive business networks of Septwolves Invest (and its associated corporations). For further details of the investment, please refer to the announcement of the Company dated 10 March 2017, 22 March 2017, 4 August 2017 and 13 July 2018, respectively. Pursuant to the Investment Agreement, the Company has undertaken to Septwolves Invest that the expected revenue after tax of MDHL and its subsidiaries (collectively, "MDHL Group") for each of the three years ending 31 December 2017, 2018 and 2019 will be no less than HK$140 million, HK$162 million, and HK$186 million, respectively. If MDHL fails to achieve the above expected annual performance, Septwolves Invest shall be entitled, on or before 30 April 2020, to require the Company to acquire all shares in MDHL then held by Septwolves Invest. Based on the audited consolidated financial statements of MDHL Group, its revenue after tax for the year ended 31 December 2019 amounted to approximately RMB183.1 million (equivalent to approximately HK$207.7 million). As the revenue after tax of MDHL Group for the year ended 31 December 2019 was in excess of HK$186 million, the expected annual performance for such year as provided under the Investment Agreement was fulfilled.

Pursuant to an investment agreement entered into between the Group, 上海尚照電子商務有限公司 (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,上海眾社文化發展有限公司 (Shanghai Zhongshe Cultural Development Co., Ltd.*), 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, all under the "BROWNIE Art Photography" brand in the PRC. The Acquisition was completed on 30 June 2019. Details of the Acquisition were disclosed in the Company'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.

* denotes English translation of the name of a Chinese company or entity is provided for identification purposes only

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The particulars and activities of the Company's subsidiaries are set out in note 11(a) to the consolidated financial statements of this Annual Report. An analysis of the Group's performance for the year by business segments is set out in note 5 to the consolidated financial statements of this Annual Report.

FINANCIAL RESULTS AND DISTRIBUTABLE RESERVES

The Group's financial performance for the year ended 31 December 2019 and the financial position of the Company and the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 98 to 101 and page 204 of this Annual Report.

Movements in the reserves of the Company and amounts available for distribution to the Shareholders are disclosed in note 38(a) to the consolidated financial statements of this Annual Report. Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity on page 102 of this Annual Report.

DIVIDEND POLICY

The Board adopted a dividend policy (the "Dividend Policy") on 22 March 2019. The Directors consider the main objectives of the Dividend Policy are to provide sustainable returns and a stable dividend payment to the Shareholders. The basic policy is to pay interim and final dividends in each financial year.

Under the applicable laws of the Cayman Islands and the Articles, all of the Shareholders have equal rights to dividends and distributions. The Board determines the interim dividend and recommends the final dividend which requires the approval of the Shareholders. In addition to cash, dividends may be distributed in the form of Shares. Any distribution in the form of Shares also requires the approval of the Shareholders.

Retained surplus is used to achieve further gains in corporate value. For this purpose, the Board makes effective use of retained surplus to strengthen the operating base and fund growth of established businesses and the development of new businesses.

The Board takes into account the following factors when considering the declaration and payment of dividends:

- liquidity position of the Company;
- financial results;
- Shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries to the Company, if any;
- taxation considerations;

- possible effects on the creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Company will not declare any dividend(s) where:

- there are reasonable grounds for believing that the Company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due;
- pursuant to dividend decision date, the Company is insolvent or bankrupt or where, as a result of paying dividends, the Company would be rendered insolvent or bankrupt; or
- there is any other case set forth by any law.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

SHARE CAPITAL

There was no movement in the Company's share capital during the year.

FIXED ASSETS

Movements in the fixed assets of the Group are set out in note 14 to the consolidated financial statements of this Annual Report.

MAJOR SUPPLIERS AND CUSTOMERS

The top five suppliers in aggregate and the single largest supplier of the Group accounted for approximately 13.3% and 4.8% of the Group's total purchases for the year ended 31 December 2019 respectively.

The top five customers in aggregate and the single largest customer of the Group accounted for approximately 40.8% and 12.8% of the Group's total sales for the year ended 31 December 2019 respectively.

As far as the Directors are aware, neither the Directors, their close associates, nor Shareholders who own more than 5% of the Company's number of issued shares as at 31 December 2019 had any interest in any of the five largest suppliers and customers disclosed above.

FIVE YEAR SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 208 of this Annual Report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors who held office during the year and up to the date of this Directors' Report were:

Executive Directors
Mr. Shao Zhong *(Chairman)*
Mr. Mok Chun Ho, Neil
Ms. Yang Ying
Mr. Li Jian
Mr. Deroche Alain, Jean-Marie, Jacques

Independent Non-executive Directors
Mr. Jiang Nanchun *(resigned on 29 May 2019)*
Mr. Wang Shi
Mr. Au-Yeung Kwong Wah *(resigned on 30 September 2019)*
Dr. Gao Hao
Mr. Yick Wing Fat Simon *(appointed on 1 October 2019)*

Subsequent to the date of this Directors' Report, Mr. Mok Chun Ho, Neil resigned as the Executive Director on 9 April 2020.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the Directors and chief executives of the Company had the following interests or short positions in shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code or as otherwise notified to the Company:

Long Positions in the Company

Name of Director	Company/Name of Group member	Capacity/Nature of interest	Number of ordinary Shares held	Approximate % of issued ordinary Shares*
Mr. Shao Zhong ("Mr. Shao")	The Company	Beneficial owner	295,118,000	67.32%
Mr. Mok Chun Ho, Neil#	The Company	Beneficial owner	1,954,000	0.45%
Ms. Yang Ying	The Company	Beneficial owner	110,000	0.03%
Mr. Deroche Alain, Jean-Marie, Jacques	The Company	Beneficial owner	94,000	0.02%

\# resigned on 9 April 2020

* as at 31 December 2019

Long Positions in the associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
Mr. Shao	北京現代雅格廣告有限公司 (Beijing Modern Yage Advertising Co., Ltd.*, "Beijing Yage")	Interest of controlled corporations *(Note 1)*	100%
Mr. Shao	北京雅格致美廣告傳播有限公司 (Beijing Yage Zhimei Advertising Media Co., Ltd.*, "Beijing Yage Zhimei")	Interest of controlled corporations *(Note 2)*	100%
Mr. Shao	廣州現代資訊傳播有限公司 (Guangzhou Modern Information Media Co., Ltd.*, "Guangzhou Modern Information")	Beneficial owner	100%
Mr. Shao	廣州現代圖書有限公司 (Guangzhou Modern Books Co., Ltd.*, "Guangzhou Modern Books")	Beneficial owner	90%
Mr. Shao	Guangzhou Modern Books	Interest of controlled corporations *(Note 3)*	10%
Mr. Shao	上海格致廣告有限公司 (Shanghai Gezhi Advertising Co., Ltd.*, "Shanghai Gezhi")	Interest of controlled corporations *(Note 4)*	100%
Mr. Shao	上海雅格廣告有限公司 (Shanghai Yage Advertising Co., Ltd.*, "Shanghai Yage")	Interest of controlled corporations *(Note 5)*	100%
Mr. Shao	深圳雅格致美資訊傳播有限公司 (Shenzhen Yage Zhimei Information Media Co., Ltd.*, "Shenzhen Yage Zhimei")	Interest of controlled corporations *(Note 6)*	100%
Mr. Shao	珠海現代致美文化傳播有限公司 (Zhuhai Modern Zhimei Culture Media Co., Ltd.*, "Zhuhai Modern Zhimei")	Interest of controlled corporations *(Note 7)*	100%
Mr. Shao	珠海銀弧廣告有限公司 (Zhuhai Yinhu Advertising Co., Ltd.*, "Zhuhai Yinhu")	Beneficial owner	90%
Mr. Shao	Zhuhai Yinhu	Interest of controlled corporations *(Note 8)*	10%
Mr. Shao	廣州摩登視頻傳媒有限公司 (Guangzhou Modern Video Media Co., Ltd.*, "Guangzhou Modern Video")	Interest of controlled corporations *(Note 9)*	100%
Mr. Shao	廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited.*, "Guangzhou Xiandai")	Interest of controlled corporations *(Note 10)*	100%
Mr. Shao	上海森音信息技術廣告有限公司 (Shanghai Senyin Information Technology Co., Ltd.*, "Shanghai Senyin")	Interest of controlled corporations *(Note 11)*	100%

* denotes English translation of the name of a Chinese company or entity is provided for identification purposes only

Notes:

1. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.

2. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.

3. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

4. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.

5. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporation.

6. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.

7. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.

8. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao's controlled corporation.

9. Guangzhou Modern Video is held as to 100% by Guangzhou Mobile Digital. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Video held by Guangzhou Mobile Digital of which is Mr. Shao's controlled corporation.

10. Guangzhou Xiandai is held as to 95% by Mr. Shao and as to 5% by Shanghai Senyin. Mr. Shao is accordingly deemed by the SFO to be interested in the 5% equity interest in Guangzhou Xiandai held by Shanghai Senyin which is Mr. Shao's controlled corporation.

11. Shanghai Senyin is held as to 95% by Mr. Shao and 5% by Ms. Zhong Yuanhong, an employee of the Group, on trust for Mr. Shao.

SUBSTANTIAL SHAREHOLDERS AND PERSONS WHO HAVE AN INTEREST OR SHORT POSITIONS DISCLOSABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31 December 2019, the Company had been notified of the following Shareholders other than the Directors having interests in the Shares representing 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity/Nature of interest	Number of ordinary Shares held	Approximate percentage of issued ordinary Shares*
Madam Zhou Shao-min *(Note 1)*	Interest of spouse	295,118,000	67.32%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	30,532,000	6.97%
FIL Investment Services (UK) Limited *(Note 2)*	Investment Fund Manager of the substantial Shareholder	30,532,000	6.97%
FIL Holdings (UK) Limited *(Note 2)*	Interest of corporation controlled by the substantial Shareholder	30,532,000	6.97%
FIL Limited *(Note 2)*	Interest of corporation controlled by the substantial Shareholder	30,532,000	6.97%
Pandanus Partners L.P. *(Note 2)*	Interest of corporation controlled by the substantial Shareholder	30,532,000	6.97%
Pandanus Associates Inc. *(Note 2)*	Interest of corporation controlled by the substantial Shareholder	30,532,000	6.97%
United Achievement Limited *(Note 3)*	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. *(Note 3)*	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC *(Note 3)*	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. *(Note 3)*	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus X, LLC *(Note 3)*	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%

* as at 31 December 2019

Notes:

1. Madam Zhou Shao-min is the spouse of Mr. Shao Zhong. She is deemed to be interested in the Shares held by Mr. Shao under the SFO.

2. According to the corporate substantial shareholder notices of FIL Limited, Pandanus Associates Inc. and Pandanus Partners L.P. dated 24 December 2019, FIL Investment Services (UK) Limited is 100% controlled by FIL Holdings (UK) Limited, FIL Holdings (UK) Limited is in turn 100% controlled by FIL Limited, FIL Limited is in turn 40.07% controlled by Pandanus Partners L.P. and ultimately Pandanus Partners L.P is 100% controlled by Pandanus Associates Inc.. FIL Investment Services (UK) Limited is the investment fund manager of FIDELITY CHINA SPECIAL SITUATIONS PLC. For the purpose of the SFO, each of Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited, FIL Holdings (UK) Limited and FIL Investment Services (UK) Limited is deemed to be interested in the Shares owned by FIDELITY CHINA SPECIAL SITUATIONS PLC.

3. According to the corporate substantial shareholder notice of Warburg Pincus & Co. dated 23 May 2011, United Achievement Limited is 96.9% controlled by Warburg Pincus Private Equity X, L.P., which is ultimately wholly controlled by Warburg Pincus & Co. through Warburg Pincus Partners LLC, Warburg Pincus X, LLC and Warburg Pincus X, L.P., all being directly and indirectly wholly controlled by Warburg Pincus & Co.. For the purpose of the SFO, each of Warburg Pincus & Co., Warburg Pincus Partners LLC, Warburg Pincus X, L.P. and Warburg Pincus Private Equity X, L.P. is deemed to be interested in the shares beneficially owned by United Achievement Limited.

SHARE AWARD SCHEME

Details of the Share Award Scheme adopted by the Company are set out in note 24 to the consolidated financial statements of this Annual Report.

SHARE OPTION SCHEME

The Scheme was conditionally adopted by a resolution in writing passed by the then sole Shareholder 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 the Shares to eligible participants, including without limitation employees of the Group, Directors 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.

Purpose and its participants

The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Eligible participants of the Scheme include (i) employees of the Company, its subsidiaries or invested entity; (ii) Non-executive Directors (including Independent Non-executive Directors) of the Company, its subsidiaries or invested entity; (iii) any supplier or customer of the Group or any invested entity; (iv) other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and (v) any company wholly owned by one or more eligible participants as referred to in the above categories.

Total number of Shares available for issue

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital of the Company (the "Issued Share Capital") from time to time. The total number of Shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company as may from time to time adopted by the Company as permitted under the Listing Rules initially shall not in aggregate, exceed 10% of the Issued Share Capital as at the date of adoption of the Scheme (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the Shareholders). As at the date of this Annual Report, the maximum number of Shares that may be granted under the Scheme was nil. Following the expiry of the Scheme, no further share option may be or has been granted thereunder.

No share option was granted, exercised, cancelled or had lapsed under the Scheme during the year ended 31 December 2019 and no share option was outstanding under the Scheme as at 31 December 2019.

Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the Issued Share Capital for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the Shareholders in general meeting of the Company with such grantee and his associates abstaining from voting.

Period within which the Shares must be taken by under an option

An option may be exercised in accordance with the terms of the Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commerce on a day after the date upon which the offer for the grant of option is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof.

Minimum period for which an option must be held before being exercised

Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Scheme for the holding of an option before it can be exercised.

The amount payable on acceptance of the option and the period within which payments be paid

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, which period may commence from the date of the offer of the share options, and ends on a date which is not later than 10 years from the date of such grant subject to the provisions for early termination thereof.

The basis of determining the exercise price

The subscription price per Share under the Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares for the five trading days immediately preceding the date of the offer of grant; (iii) the nominal value of Share.

Remaining life

Subject to any earlier termination in accordance with its rules, the Scheme shall remain in force for a period of ten years commencing on 24 August 2009. The Scheme had expired on the tenth anniversary of such adoption date. Following the expiry of the Scheme, no further share option may be or has been granted thereunder.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

None of the Director (including their spouses and children below 18 years of age) had been granted by the Company or had exercised any rights to subscribe for shares or debentures of the Company during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Investment in online search services held by Mr. Shao Zhong

As at 31 December 2019, Mr. Shao, the Executive Director and the controlling Shareholder, held about 6.4% equity interest in a company (the "Online Search Company") incorporated in Beijing, the PRC. The Online Search Company has been principally engaged in the business of operating an internet platform of open community in the form of a network of community members asking and answering questions with high-quality contents generated by users and shared across multiple knowledge domains. He is not in control of such company. Mr. Shao made investments in the said business before the Group's commencement of the digital media business.

As the Group's digital media business currently focuses on online advertising and publication of multiple digital media products, the Directors believe that the business of the Online Search Company currently does not compete with the Group's business. If there is any change in the future, the Company would discuss with (if necessary) Mr. Shao on his ceasing to hold or disposing of such investment.

Save as disclosed above, none of the Directors has any interest in a business which competes or is likely to compete with the business of the Group during the year.

The Independent Non-executive Directors have reviewed the compliance with and enforcement of the terms of the non-competition undertakings by Mr. Shao. Based on, among other matters, the annual confirmation from Mr. Shao to the Company on compliance with the terms of the above non-competition undertaking, the Directors (including the Independent Non-executive Directors) consider that the above non-competition undertakings were complied with and enforced during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" and "Continuing Connected Transactions" below and elsewhere in this Annual Report, no contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

No Director proposed to be re-elected at the forthcoming Annual General Meeting of the Company has an unexpired service contract with the Group, which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

Pursuant to article 188 of the Articles, every Director is entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of the duties of his office or otherwise in relation thereto (except such is incurred or sustained through his own fraud or dishonesty). Such provision is currently in force and was in force throughout the year ended 31 December 2019.

The Company has taken out and maintained directors' liability insurance throughout the year ended 31 December 2019, which provides appropriate cover for the Directors.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existing during the year.

Directors' Report *(continued)*

CONNECTED TRANSACTIONS

Certain connected transactions took place during the year ended 31 December 2019 and/or subsisted as at 31 December 2019:

Contractual Arrangements

2009 Arrangements

Certain transactions entered into by us constituted non-exempt continuing connected transactions under the Listing Rules but they have been the subject of waiver granted to the Company by the Stock Exchange subject to compliance of certain conditions. Such series of contracts entered into by, among others, 現代傳播(珠海)科技有限公司 (Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology")), Mr. Shao Zhong and the PRC Operational Entities (as defined in the prospectus of the Company dated 28 August 2009 (the "Prospectus")) (the "Contractual Arrangements") serves the purpose of providing the Group with effective control over the PRC Operational Entities to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to the Company. The 2009 Arrangements include:

(a) management and consultation services agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei (collectively the "Publishing and Investment Holding Entities"); (ii) Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage (collectively the "Sales Entities"); (iii) Shanghai Yage and Beijing Yage (collectively the "Production Entities"), pursuant to which the PRC Operational Entities have engaged Zhuhai Technology on an exclusive basis to provide consultation services in the management, sales and marketing, enterprise management and other supporting services in connection with the PRC Operational Entities' business. In return, each of the PRC Operational Entities agrees to pay to Zhuhai Technology fees on an annual basis in arrears. Fees payable to Zhuhai Technology by the PRC Operational Entities are equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Operational Entities, as audited by such certified public accountants of the PRC. Such management and consultation services agreements became effective when it was executed on 24 August 2009 and would remain effective for a perpetual term;

(b) equity pledge agreements dated 24 August 2009 and entered into between Zhuhai Technology and (i) Mr. Shao; (ii) Mr. Shao and Guangzhou Modern Information; (iii) Zhuhai Yinhu; (iv) Zhuhai Modern Zhimei; (v) Guangzhou Modern Information and Guangzhou Modern Books, the payment of consultations services fees to Zhuhai Technology under the above management and consultation services agreements is secured in that Zhuhai Technology is entitled to exercise its rights to sell the pledged equity interests on occurrence of any non-payment of such fees. Furthermore, Zhuhai Technology is entitled to all dividends derived from the pledged equity interests in the PRC Operational Entities. The Equity Pledge Agreements become effective when it was executed on 24 August 2009;

(c) business operation agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, under which no material business transaction can be entered into by the PRC Operational Entities without the prior written consent of Zhuhai Technology. Furthermore, the PRC Operational Entities shall appoint individuals as nominated by Zhuhai Technology to be their directors and key management as and when Zhuhai Technology sees fit. Zhuhai Technology or its nominees is entitled to exercise their rights as if they were the Shareholder of the PRC Operational Entities. Any dividend and/or capital gain derived from the equity interests in the PRC Operational Entities shall also be paid to Zhuhai Technology. The business operation agreements became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term;

(d) option agreements dated 24 August 2009 entered into between Modern Media (HK) and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, pursuant to which Modern Media (HK) was granted options to acquire the entire equity interest in the PRC Operational Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws. Such option agreements became effective when it was executed on 24 August 2009 and will expire on the date on which all the equity interests in the PRC Operational Entities are transferred to Modern Media (HK) and/or its nominees;

(e) proxy agreements dated 24 August 2009 entered into between Zhuhai Technology and (i) Mr. Shao and Guangzhou Modern Information; (ii) Mr. Shao and Zhuhai Modern Zhimei; (iii) Mr. Shao, Guangzhou Modern Information and Guangzhou Modern Books, which authorise the Group to exercise its rights in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities. Such proxy agreements become effective when it was executed on 24 August 2009 and will remain effective during the term of the business operation agreements set out above; and

(f) trademark transfer agreement dated 24 August 2009 entered into between Zhuhai Technology and Guangzhou Modern Information to grant an option to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines and its business at a nominal consideration or such minimum amount required by the PRC law. The trademark transfer agreement became effective when it was executed on 24 August 2009 and will remain effective for a perpetual term.

2011 Arrangements

The following connected transaction (the "2011 Arrangements", collectively with the 2009 Arrangements, the "Contractual Arrangements") was entered into by the Group in September 2011. For more details, please refer to the announcement of the Company dated 21 September 2011 (the "2011 Announcement").

On 20 September 2011, the Group, through its wholly owned subsidiaries, entered into the 2011 Contractual Agreements (as shown below) with Mr. Shao (a Director and substantial Shareholder of the Company), the Target Company (as defined below) and other relevant parties, pursuant to the arrangements contemplated under such 2011 Contractual Agreements, the Group would effectively obtain the control over the financial and operational policies and decisions of the Target Companies at a consideration of RMB18,000,000 (approximately HK$21,600,000). The 2011 Arrangements include:

(a) the equity pledge agreements dated 20 September 2011 and entered into between (among others) Mr. Shao, 雅致美資訊諮詢(深圳)有限公司 (Yazhimei Information Consultation (Shenzhen) Co., Ltd.* ("Yazhimei")), 上海森音信息技術有限公司 (Shanghai Senyin Information Technology Co., Ltd.* ("SH Senyin", which was beneficially wholly owned by Mr. Shao), for guaranteeing the payment of the service fees under the management and consultation services agreements (as defined in (d) below);

(b) the option agreements dated 20 September 2011 and entered into between (among others) Mr. Shao, SH Senyin, 廣州現代移動數碼傳播有限公司 (Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited* ("Guangzhou Xiandai", which was beneficially owned as to 95% by Mr. Shao, GZ Xiandai together with SH Senyin are collectively referred to as "Target Companies")) and Modern Mobile Digital Media Company Limited ("MM Mobile Digital"), pursuant to which MM Mobile Digital has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the Target Companies at nil consideration or the minimum amount as permitted by the applicable PRC laws;

(c) business operation agreements dated 20 September 2011 and entered into between (among others) Yazhimei, GZ Xiandai, Mr. Shao and SH Senyin, pursuant to which the Target Companies have undertaken not to enter into any material business transaction without the prior written consent of Yazhimei and to appoint individuals as nominated by Yazhimei to be the directors and key management of the Target Companies;

(d) the management and consultation services agreements dated 20 September 2011 and entered into between (among others) Yazhimei, GZ Xiandai and SH Senyin, pursuant to which the Target Companies will engage Yazhimei on an exclusive basis to provide enterprise management consultation services and other services in connection with the business services of the Target Companies; and

(e) the proxy agreements dated 20 September 2011 entered into between (among others) Yazhimei, Mr. Shao and SH Senyin, pursuant to which Mr. Shao is authorised to exercise the Shareholders' rights in each of the Target Companies including attending Shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the Chairman of Yazhimei).

2015 Arrangements

On 10 July 2015, the Group, through its wholly owned subsidiaries, entered into the 2015 Agreements (as shown below), collectively with the 2009 Arrangements and the 2011 Arrangements (the "Contractual Arrangements"), with Mr. Shao (a Director and substantial Shareholder), Guangzhou Xiandai, Linkchic (Beijing) Network Technology Co., Ltd* (每城美客(北京)網科技有限公司) ("Linkchic") and Guangzhou Modern Video Media Co., Ltd* (廣州摩登視頻傳媒有限公司) ("Guangzhou Modern Video") (Linkchic and Guangzhou Modern Video, collectively, the "Target Subsidiaries", as defined in the 2015 Annual Report dated 14 March 2016 (the "2015 Annual Report")). The 2015 Arrangements include:

(a) the equity pledge agreements dated 10 July 2015 and entered into between Yazhimei and Guangzhou Xiandai for guaranteeing the payment of the service fees under the management and consultation services agreements (as defined in (d) below);

(b) the option agreements dated 10 July 2015 and entered into between MM Mobile Digital, Guangzhou Xiandai and the Target Subsidiaries, respectively, pursuant to which MM Mobile Digital has been granted options to acquire, directly or through one or more nominees, the entire equity interest in the Target Subsidiaries at nil consideration or the minimum amount as permitted by the applicable PRC laws;

(c) business operation agreements dated 10 July 2015 and entered into between Yazhimei, Guangzhou Xiandai and the Target Subsidiaries, pursuant to which the Target Subsidiaries have undertaken not to enter into any material business transaction without the prior written consent of Yazhimei and to appoint individuals as nominated by Yazhimei to be the directors and key management of the Target Subsidiaries;

(d) the management and consultation services agreements dated 10 July 2015 and entered into between Yazhimei and the Target Subsidiaries, pursuant to which the Target Subsidiaries will engage Yazhimei on an exclusive basis to provide enterprise management consultation services and other services in connection with the business services of the Target Subsidiaries; and

(e) the proxy agreements dated 10 July 2015 entered into between Yazhimei, Mr. Shao and Guangzhou Xiandai, pursuant to which Mr. Shao is authorised to exercise the Shareholders' rights in each of the Target Subsidiaries including attending Shareholders' meeting and exercising voting rights (as long as Mr. Shao remains as the Chairman of Yazhimei) ((a) to (e), collectively the "2015 Arrangements").

The Target Subsidiaries are wholly-owned subsidiaries of Guangzhou Xiandai and their economic benefits as well as the risks associated therewith have already been transferred to the Company under the 2011 Arrangements (or, as the case maybe, since being acquired by Guangzhou Xiandai). The 2015 Arrangements have similar terms in substance with those stated in the 2011 Arrangements. Our PRC legal adviser is of the view that entering into the 2015 Arrangements would further strengthen the Group's management control over the Target Subsidiaries.

As at 31 December 2019, there were in total 13 operating companies established in the PRC ("OPCOs" and each an "OPCO"), including (i) 9 companies (the "Printed Media OPCOs") which carried on the printed media business, and (ii) 4 companies (the "Digital Media OPCOs") which carried on the digital media business.

The Printed Media OPCOs

The Printed Media OPCOs comprise the following members of the Group: Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu, Zhuhai Modern Zhimei, Shanghai Yage, Beijing Yage, Shanghai Gezhi, Beijing Yage Zhimei and Shenzhen Yage Zhimei.

The Printed Media OPCOs carry on the printed media business of the Group, which includes (i) design, production and agency services of various advertisements; (ii) wholesale and retail sale of the books, newspapers, periodicals edited and published in the PRC; (iii) planning of literary arts activities and exhibitions; and (iv) consultation services for books information, project planning, enterprise investment and economic information.

The Digital Media OPCOs

The Digital Media OPCOs comprise the following members of the Group: Shanghai Senyin, Guangzhou Mobile Digital, Linkchic Beijing and Guangzhou Modern Video.

The Digital Media OPCOs carry on the digital media business of the Group, which includes (i) information technology business; (ii) holding of a digital publishing license issued by the PRC Government; (iii) holding of a television programme production permit issued by the PRC Government; and (iv) design and production of advertisements, planning of cultural events and exhibition.

Except for Linkchic Beijing and Guangzhou Modern Video, which are subsidiaries of Guangzhou Mobile Digital, each of the OPCOs was a party to the Contractual Arrangements.

OPCO's significance and financial contribution to the Group

By means of the Contractual Arrangements, the Group is permitted to engage in the printed media business and the digital media business in the PRC as set out above which foreign ownership in such PRC entities is restricted. The following table sets out the respective financial contribution of the (i) Printed Media OPCOs and (ii) Digital Media OPCOs to the Group:

	Significance and contribution to the Group		
	Revenue For the year ended 31 December 2019	**Net Profit For the year ended 31 December 2019**	**Total assets As at 31 December 2019**
Printed Media OPCOs	**12.49%**	**-641.05%**	**24.19%**
Digital Media OPCOs	**9.69%**	**-336.38%**	**10.79%**

Revenue and assets subject to the Contractual Arrangements

The table below sets out the OPCOs' (i) revenue; and (ii) total assets which are consolidated into the accounts of the Group pursuant to the Contractual Arrangements:

	Revenue For the year ended 31 December 2019	**Total assets As at 31 December 2019**
	RMB'000	RMB'000
Printed Media OPCOs	55,724	179,934
Digital Media OPCOs	43,238	80,275

Reasons for using and risks associated with the Contractual Arrangements

Under the prevailing laws and regulations in the PRC, companies with foreign ownership are restricted from engaging in the publishing business and digital media business in the PRC. As such, the Company relies on the OPCOs to conduct certain parts of the Group's businesses in the PRC. The Company manages to maintain an effective control over the financial and operational policies of the OPCOs through the Contractual Arrangements which effectively transfer the economic benefits and pass the risks associated therewith of the OPCO to the Company, and as a result, the OPCOs have been consolidated as subsidiaries of the Group.

The Board wishes to emphasise that the Group relies on the Contractual Arrangements to control and obtain the economic benefits from the OPCOs, which may not be as effective in providing operational control as direct ownership. The Company may have to rely on the PRC legal system to enforce the Contractual Arrangements, which remedies may be less effective than those in other developed jurisdictions. Any conflicts of interest or deterioration of the relationship between the registered holders of the equity interest in the OPCOs and our Group may materially and adversely affect the overall business operations of the Group. The pricing arrangement under the Contractual Arrangements may be challenged by the PRC tax authority. If the Group chooses to exercise the option to acquire all or part of the equity interests in any of the OPCOs under the respective option agreements under the Contractual Arrangements, substantial amount of costs and time may be involved in transferring the ownership of the relevant OPCO held by its registered holder(s) to the subsidiaries equity-owned by the Company. There can be no assurance that the interpretation of the Contractual Arrangements by the PRC legal advisers to the Company is in line with the interpretation of the PRC governmental authorities and that the Contractual Arrangements will not be considered by such PRC governmental authorities and courts to be in violation of the PRC laws. In addition, the PRC governmental authorities may in the future interpret or issue laws, regulations or policies that result in the Contractual Arrangements being deemed to be in violation of the then prevailing PRC laws.

Despite the above, as advised by the PRC legal advisers to the Company, the Contractual Arrangements are in compliance with and, to the extent governed by the PRC laws currently in force, are enforceable under, the current PRC laws. The Company will monitor the relevant PRC laws and regulations relevant to the Contractual Arrangements and will take all necessary actions to protect the Company's interest in the OPCOs.

Material changes

Save as disclosed above, there has not been any material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2019.

For any potential changes to the Contractual Arrangements, please refer to the paragraph headed "Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77–14) (the "Guidance Letter") (Updated in August 2015 and April 2018)" below.

Unwinding of the Contractual Arrangements

Up to 31 December 2019, there has not been any unwinding of any Contractual Arrangements, nor has there been any failure to unwind any Contractual Arrangements when the restrictions that led to the adoption of the Contractual Arrangements are removed.

Deviation from the guidance letter issued by the Stock Exchange (HKEx-GL77–14) (the "Guidance Letter") (Updated in August 2015 and April 2018)

The Company noted that the Stock Exchange has issued the updated Guidance Letter in August 2015 and April 2018 to provide further guidance to listed issuers using contract-based arrangements to indirectly own and control any part of their business. Pursuant to the Guidance Letter, a listed issuer should ensure that where OPCO's shareholders are officers or directors of the issuer, the power of attorney under the contractual arrangement in relation to the exercise all shareholders' rights of OPCO should be granted in favour of other unrelated officers or directors of the issuer so as to avoid any potential conflicts of interests.

Under the Contractual Arrangements, Mr. Shao, being the registered equity holder of the OPCOs and an Executive Director, is authorised to exercise the shareholders' rights in each of the OPCOs. The existing Contractual Arrangements have yet to sufficiently address the said requirement newly in place. Accordingly, the Company engaged its legal advisers as to the PRC laws to review the existing Contractual Arrangements and the Company may enter into supplemental agreements upon receiving advise from its legal advisers as to PRC laws and make further disclosure(s) as to any changes to the existing Contractual Arrangements.

The Contractual Arrangements allow the Company to consolidate the financial results of the OPCOs into the Group's consolidated financial statements as if they were the Group's wholly-owned subsidiaries. The Directors consider that the Contract Arrangements are fundamental to the Group's legal structure and business operations and are on normal commercial terms or terms more favorable to the Group and are fair and reasonable or to the advantage of the Group and are in the interests of the Shareholders as a whole.

The Independent Non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out from the date when the Contractual Arrangements became effective up to 31 December 2019 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the revenue generated by the OPCOs has been substantially retained by the relevant subsidiary of the Group; (ii) no dividends or other distributions have been made by the OPCOs to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) the terms of the transactions are on normal commercial terms and in the ordinary and usual course of business and (iv) any new contracts entered into, renewed or reproduced between the Group and the OPCOs during the relevant financial period are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole.

Other Connected Transactions during the year

During the year, the Group has entered into certain related party transactions as disclosed in Note 36 to the consolidated financial statements of this Annual Report. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

The Company disclosed in its Prospectus, the 2011 Announcement and 2015 Annual Report which the Group entered into and will continued to be carried out between members of the Group certain continuing connected transactions in respect of the Contractual Arrangements (the "Continuing Connected Transactions").

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the 2009 Arrangements, the 2011 Agreements and the 2015 Arrangements have complied with the reporting and announcement requirements during the year. The Continuing Connected Transactions have been reviewed by the Independent Non-executive Directors. The Independent Non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into in accordance with the relevant Contractual Arrangements and that no dividend or other distribution has been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to our Group.

In accordance with paragraph 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to perform procedures on the above Continuing Connected Transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA.

The auditor has confirmed that:

a. nothing has come to the auditor's attention that causes the auditor to believe that the disclosed Continuing Connected Transactions have not been approved by the Board.

b. for transactions involving the provision of goods or services by the Group to the PRC Operational Entities (as defined in the Prospectus), the Target Companies (as defined in the 2011 Announcement) and the Target Subsidiaries (as defined in the 2015 Annual Report), nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the relevant terms of Contractual Arrangements as set out in the Prospectus, the 2011 Announcement and the 2015 Annual Report.

c. nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been made by the PRC Operational Entities to the holders of their respective equity interests which are not otherwise subsequently assigned/transferred to the Group.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2019, the Group had around 488 employees (2018: 593). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include provident fund, insurance and medical cover.

The Directors' and senior management's emoluments are determined by the Remuneration Committee, with reference to their duties, responsibilities and performance and the results of the Group and comparable market statistics, including the prevailing market rate for executives of similar position. The remuneration policy for our senior management is based on their experience, level of responsibility, length of service and performance.

Details of the Directors' and chief executives' remuneration and individuals with the highest emoluments in the Group are set out in notes 9, 39(a) and 36(f) of the consolidated financial statements of this Annual Report.

PENSION SCHEME

The employees of the Group in the PRC participate in various social security plans enacted in China, which cover pension, medical and other welfare benefits. The Group is required to make contributions to the plans calculated based on a percentage of the monthly compensation of employees, subject to a certain ceiling, and are paid to the respective labour and social welfare authorities in accordance with the applicable PRC rules and regulations. The local government is responsible for the planning, management and supervision of the scheme, including collecting and investing the contributions, and paying out the pension to the retired employees.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The other employees are covered by other defined-contribution pension plans sponsored by local government.

There was no forfeited contribution under the scheme available for deduction of future contribution to be made by the Group. The Group's contributions to retirement benefit schemes charged to profit or loss for the year ended 31 December 2019 were approximately RMB22,600,000. Details of the retirement benefits are set out in note 2.20 of the consolidated financial statements of this Annual Report.

The Group has no other material obligation for the payment of retirement benefits associated with the schemes beyond the contribution described above.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2019, the Company continued to apply the principles set out in the CG Code as contained in Appendix 14 to the Listing Rules.

The Company is committed to maintaining a high standard of corporate governance. Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this Annual Report on pages 28 to 43.

AUDIT COMMITTEE

The Company established the Audit Committee with terms of reference on 24 August 2009 in compliance with the CG Code set out in Appendix 14 to the Listing Rules. The Board has, on 25 December 2015, amended the terms of reference of the Audit Committee to be in line with the provisions of the CG Code, a copy of which is posted on the website of the Company and the Stock Exchange. As at 31 December 2019, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Mr. Wang Shi and Dr. Gao Hao.

During the year, the Audit Committee met from time to time to review the Company's draft interim and annual report and provided advice and comments thereon to the Company's Board of Directors, met with external auditors to discuss audit matters of governance interest that arise from the annual audit of the Company's financial statements. The Audit Committee has also reviewed the interim and annual results of the Group for the year ended 31 December 2019. Starting from 2015, the Audit Committee has also performed the duties as stated in the amended terms of reference of the Audit Committee, including reviewing the risk management system of the Group.

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the Shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its directors, the directors confirm that the Company has maintained throughout the year ended 31 December 2019, the amount of public float as required under the Listing Rules.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

AUDITORS

The consolidated financial statements for the year ended 31 December 2019 have been audited by Grant Thornton, who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Grant Thornton as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Shao Zhong
Chairman

Hong Kong, 23 March 2020

Biographical Details of Directors & Senior Management

EXECUTIVE DIRECTORS

Mr. SHAO Zhong (邵忠), aged 59, the Chairman of the Board, the Chief Executive Officer of the Company and the Chief Content Officer of the Group, who is also the founder of our Group. Mr. Shao was initially appointed as a Director in March 2007, and was subsequently designated as the Chairman of the Board and an Executive Director in July 2009. Mr. Shao was the Chief Executive Officer of the Company from September 2015 to November 2016, and he was again appointed as the Chief Executive Officer with effect from October 2017. Mr. Shao is responsible for the overall corporate strategies, policy-formulating, instilling corporate philosophy as well as strategic planning, development and expansion of the Group's new media businesses. Prior to founding our Group, Mr. Shao was formerly a PRC government official before 1989. Then, he also undertook senior positions in other publishing and media enterprises including a listed printing company in Hong Kong until 1999. Mr. Shao holds an EMBA degree from Tsinghua University of Beijing. His in-depth experience in the media and publication industries in the PRC earned him the nomination as one of Top 10 Media Leading Icon at China Media Forum in 2010.

Mr. MOK Chun Ho, Neil (莫峻皓), aged 54, the Chief Financial Officer of our Group responsible for the general financial planning and management of our Group. Mr. Mok joined our Group in March 2003 and was appointed as an Executive Director of our Group in July 2009. He obtained his MBA degree from Charles Sturt University in Australia in November 2002 and the Diploma in Accountancy from the Lingnan College of Hong Kong (currently known as Lingnan University) in November 1989. Mr. Mok was admitted as a fellow member of the HKICPA and the associate member of the Taxation Institute of Hong Kong and The Hong Kong Institute of Chartered Secretaries in February 2010, April 1999 and May 2011, respectively. Mr. Mok has over 25 years of experience in finance and accounting management through his previous financial positions with several listed and private companies in Hong Kong. Mr. Mok tendered his resignation as an Executive Director and Chief Financial Officer with effect from 9 April 2020.

Ms. YANG Ying (楊瑩), aged 44, was appointed as an Executive Director from September 2015. Ms. Yang was graduated in Shanghai Foreign Trade College (上海對外貿易學院) in July 1999, majored in Foreign Trade Economy and obtained her EMBA degree from a course jointly provided by Shanghai Jiao Tong University and Euromed Management Marseille in Shanghai in November 2013. Ms. Yang has more than 20 years' working experience in the Advertising, Marketing and Public Relationship. Ms. Yang worked for Swatch Group and The Wharf Holdings Limited after graduation. In 2000, Ms. Yang joined the Group as Marketing Director of its Shanghai Office and further on promoted as the Deputy General Manager. To broaden her publishing experience, Ms. Yang joined Vogue Magazine, China as Associate Publisher and Advertising Director from May 2005 to July 2009. In August 2009, Ms. Yang rejoined the Group as Shanghai Office General Manager to manage the sales and marketing and assisting the business development of the Group.

Mr. LI Jian (李劍), aged 44, was appointed as an Executive Director from September 2015. Mr. Li joined the Group in September 2011 as the Deputy Publisher for "Bloomberg Businessweek 商業周刊中文版／China" and Deputy General Manager of the Group's operations in the Beijing region. He was promoted, in September 2012 and in February 2013 respectively, to the General Manager of the Beijing region and the Publisher for "Bloomberg Businessweek 商業周刊中文版／China", "Bloomberg Businessweek 商業周刊中文版" (Traditional Chinese edition) and the platform for mobile terminal of "Bloomberg Businessweek 商業周刊中文版". Prior to joining the Group, he had served in two international media companies and held various senior positions, such as the publisher for a number of media. Mr. Li was a pioneer in the digital publication and visual media industries and has accumulated 16 years of working experience in the media field. In the earlier years, Mr. Li had worked for internationally well-known consulting agencies. Mr. Li has gained extensive experience in cross-media operations from international media groups over the years, which will facilitate the Group in exploring and integrating cross-media platforms that will contribute to the development of business. He graduated from John Molson Business School, Concordia University of Canada with a bachelor's degree in Business in 2000.

Mr. Alain DEROCHE, Jean-Marie, Jacques, aged 58, was appointed as an Executive Director from June 2016. Mr. Deroche joined our Group in June 2008 as Vice President and Publishing Director of the Group and has since been responsible for the management of our Group's international copyright business and the planning and content innovation for our Group's printed publications. Before his appointment as an Executive Director, Mr. Deroche was the Publishing Director of two of our Group's international titles, namely "Numero" and "The Good Life", and was also the Co-publisher of "IDEAT". Mr. Deroche has extensive experience in international media management of the international media industry. Prior to joining our Group, Mr. Deroche was employed by Hachette Filipacchi Associes, a publishing house in France from September 1989 to June 2008. Immediately before he left the said entity, Mr. Deroche served as the general manager in charge of the publication in the PRC. He was also the publishing director for ELLE's international edition from 1999 to 2005. Mr. Deroche obtained his postgraduate degree in international business administration from Université de Paris- Dauphine (English translation: Paris Dauphine University) of France in October 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Shi (王石), aged 69, was appointed as an Independent Non-executive Director in August 2009. Mr. Wang has over 20 years of experience in real estate development in the PRC. Mr. Wang was the founder of China Vanke Co., Ltd. which was listed on the Shenzhen Stock Exchange starting from 1991. He acted as its general manager from 1988 to 1999, and he also acted as its chairman from 1988 till 2017 and now is its honorary chairman. Mr. Wang obtained his bachelor's degree in water supply studies from Lanzhou Jiaotong University in China in September 1977.

Mr. JIANG Nanchun (江南春), aged 47, was appointed as an Independent Non-executive Director on in August 2009 and resigned from his position as the independent non-executive Director in May 2019. Mr. Jiang has over 20 years of experience in the media and advertising industries in the PRC. He held the office of chief executive officer of Everease Advertising Corporation, which is one of the top 50 advertising agencies in China, from 1994 to 2003. In May 2003, Mr. Jiang became the general manager of Focus Media Advertisement. He also founded Focus Media Holding Limited ("Focus Media") (a company which is listed on the Shenzhen Stock Exchange) and served as its chairman of the board of directors. Mr. Jiang obtained his bachelor's degree in Chinese language and literature from East China Normal University in China in 1995.

Mr. AU-YEUNG Kwong Wah (歐陽廣華), aged 55, was appointed as an Independent Non-executive Director in August 2009 and resigned from his position as an Independent Non-executive Director in September 2019. Mr. Au-Yeung obtained a bachelor's degree in commerce from The Bond University in Australia in September 1996, a master's degree in accountancy from The Chinese University of Hong Kong in December 2000, a postgraduate diploma in corporate administration from The Hong Kong Polytechnic University in December 2005 and an EMBA degree from The Chinese University of Hong Kong in December 2008. Mr. Au-Yeung is a member of CPA Australia and the HKICPA. He has over 20 years of experience in auditing and financial control through his prior employments with accounting firms and listed companies in Hong Kong. Mr. Au-Yeung was appointed as the executive director of China Lumena New Materials Corp. in September 2014 and resigned from his position as executive director in April 2015.

Dr. GAO Hao (高皓), aged 37, was appointed as an Independent Non-executive Director in August 2016. Dr. Gao was awarded a bachelor's degree in engineering (automation) from Tsinghua University in July 2005, a bachelor's degree in economics from Peking University in July 2007, and a Ph.D. degree in management science and engineering from Tsinghua University in June 2012, and the Corporate Director Certificate from Harvard Business School in 2015. Dr. Gao is currently the director of the Global Family Business Research Center at Tsinghua University PBC School of Finance(清華大學五道口金融學院), a member of Global Future Council and Expert Network of World Economic Forum, a council member of All-China Federation of Industry and Commerce Think Tank, a council member and research fellow of China Enterprise Reform and Development Society, as well as a co-editor of Wealth Management Journal and the editor-in-chief of the Family Business Series and Family Wealth Series. He is also an independent director of Hope Education Group Co., Limited (HKEX: 01765) and Xinyuan (China) Co., Limited (NYSE: XIN).

Mr. YICK Wing Fat Simon (易永發), aged 61, was appointed as an Independent Non-executive Director in October 2019. Mr. Yick holds a bachelor's degree in Business Administration from the Chinese University of Hong Kong, majoring in Accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in England. Mr. Yick has over 37 years of experience in audit, direct investment, investment banking and corporate advisory services. In addition, Mr. Yick is an independent non-executive director and chairman of the audit committee of Shenzhen Neptunus Interlong Bio-technique Holdings Company Limited (Stock Code: 8329), Shanghai International Shanghai Growth Investment Limited (Stock Code: 770) and China Singyes Solar Technologies Holdings Limited (Stock Code: 750) (all of which are listed on the Stock Exchange), an independent non-executive director, chairman of audit committee of Shenzhen Neptunus Interlong Bio-technique Co. Ltd (the shares of which are listed on the GEM Board of Hong Kong Stock Exchange), independent non-executive director, the convener of the nomination committee and a member of the strategy committee of Chengdu Xinrong Environment Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange, Stock Code: 000598.SZ), and an independent non-executive director, the chairman of the remuneration and nomination committee and a member of the audit and compliance committee of Nexteer Automotive Group Limited (the shares of which are listed on the Main Board of the Stock Exchange, Stock Code: 1316).

SENIOR MANAGEMENT

Ms. ZHONG Yuanhong (鍾遠紅), aged 48, the Administration and Production Controller of our Group and a member of the Environmental, Social and Governance Committee of the Company. Ms. Zhong, being one of the most senior employees of our Group, joined our Group in April 1998 and is responsible for the procurement, production and administrative management of our Group. Prior to joining our Group, she was an assistant to director in Ramada Pearl Hotel in Guangzhou for 3 years. Ms. Zhong completed her secondary education in Guangzhou No. 62 Middle School in June 1989. She has over 21 years of experience in administrative management, with a particular expertise in printing and the post production management of publications, in the media industry.

Mr. LIM Timothy Edward (林添靈), aged 45, joined our Group in February 2006 and is the Fashion Director of our Group responsible for the planning and development of the fashion aspects of the magazines. Prior to joining our Group, Mr. Lim was the fashion editor of The South China Morning Post in Hong Kong for 6 years. Further, Mr. Lim has contributed to a number of famous international fashion magazines including Elle, Marie Claire, Tank and Bazaar in the past. Mr. Lim obtained his bachelor's degree from McGill University in Canada in 1997. He has over 20 years of experience in international fashion news reporting and styling for advertising and professional fashion media.

Biographical Details of Directors & Senior Management *(continued)*

Ms. MA Li (馬驪), aged 37, joined our Group in November 2009 and now is the Finance and Controlling Director of the Group, responsible for the financial planning and analysis of the Group and all media business units. Apart from financial management, she is also responsible for internal controls and policy management for the Group. Prior to joining the Group, she had worked for PricewaterhouseCoopers as the senior auditor for over 5 years. She obtained her bachelor of management and bachelor of finance from Shanghai University of Finance and Economics. She is the member of The Institute of Internal Auditors and has over 15 years experience in finance and control management.

Ms. ZHANG Kui (張葵), aged 48, the National Finance Director of the Group, Ms. Zhang joined our Group in March 2005, she is responsible for establishing the Group's financial management accounting system, formulating the financial system, financial accounting for the Group, and the formulation and implementation of tax planning. Before joining the Group, Ms. Zhang worked for domestic large state-owned enterprises, responsible for the financial work in the state-owned enterprises for more than 10 years, she has rich experience in finance management and tax planning. Ms. Zhang graduated from Jinan university with a bachelor's degree in management, she is a senior accountant, certified tax agent and obtained management institute of occupational qualification registered in China. She has more than 20 years of experience in the financial and tax management.

COMPANY SECRETARY

Ms. CHAN Sze Ting (陳詩婷) has been appointed as the Company Secretary of the Company on 1 April 2020. Ms. Chan is a senior manager of the corporate services division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Chan has over 14 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a bachelor of laws degree from the University of London.

Environmental, Social and Governance Report

ABOUT THE ESG REPORT

The ESG Report allows stakeholders to have better understandings about the progress and direction of the Group's sustainable development through reporting the policies, measures and performance in terms of environmental, social and governance aspects.

SCOPE OF THE ESG REPORT

The ESG Report is about the performance of the Group in terms of environmental, social and governance aspects for the year ended 31 December 2019. To continuously expand the scope of the ESG report, the ESG Report for the year ended 31 December 2019, in addition to focusing on the headquarters in Hong Kong and offices in Shanghai as well as in the scope the "Modern Space", a Shanghai-based cultural creative space project, also included offices in Guangzhou into the scope of this ESG Report (collectively, the "Operating Spots"). The scope of coverage of performance information is expanded to the Group's digital media business based on the print media and art business of the Operating Spots. The Group plans to continue improving its internal data collection procedures and gradually expand the scope of disclosure.

REPORTING STANDARDS

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") set out in Appendix 27 to the Listing Rules, which is prepared on the basis of four reporting principles – Materiality, Quantitative, Balance and Consistency. To allow stakeholders to have better understandings about the performance of the Group in terms of environmental, social and governance aspects, this ESG Report complies with the "comply or explain" requirement to disclose the environmental key performance indicators. In addition, the ESG Report also includes individual social key performance indicators in the "Recommended Disclosures".

Principle of reporting	Definition	Response
Materiality	Focusing on environmental, social and governance issues which have significant impact on the Group and various stakeholders.	During 2019, the Group has identified four issues which are important to the Group's business through management interviews as the focus of the ESG Report.
Quantitative	Key performance data shall be measurable and compared where appropriate.	The key performance indicators for the social component of the Group are derived from the statistics of the relevant departments. In addition, in order to ensure the accuracy of the environmental key performance indicators, the Group has commissioned a professional consultancy to conduct carbon assessments in Carbon Care Asia.

Principle of reporting	Definition	Response
Balance	The issuer shall objectively and realistically report the performance of the year in respect of the environmental, social and governance aspects.	In the process of preparing the ESG Report, the Group focuses on the elaboration of environmental, social and governance outcomes, and describes the difficulties encountered and response plans.
Consistency	Consistent disclosure and statistical method shall be adopted for the disclosure of the report, in order to make the key performance indicators comparable and understand corporate performance.	The same statistical method as in prior years has been adopted in the ESG Report. Please refer to the section headed "Overview of Key Performance Indicators" for the annual comparative statistics.

CONFIRMATION AND APPROVAL

The Group has established its internal monitoring and formal review procedures to ensure that the information presented in this ESG Report is accurate and reliable. This ESG Report was confirmed and approved by the Group's Board on 23 March 2020.

FEEDBACK

The Group values the opinions of stakeholders. If you have any questions or suggestions about the content or reporting form of this ESG Report, you are welcome to contact Ms. Zhong, the person-in-charge of the environmental, social and governance working group of the Group through the following methods:

Address: 7th Floor, Global Trade Square, 21 Wong Chuk Hang Road, Aberdeen, Hong Kong
Email: hk@modernmedia.com.hk
Tel: (852) 2250 9188
Fax: (852) 2891 9719

MESSAGE FROM THE DIRECTORS

In face of the ever-changing media technology, as a responsible information media group, the Group is aware of the need to make use of its influence to provide accurate information to the public to cultivate them the idea of citizens in the era of information openness for communication. The ESG Committee of the Group is responsible for supervising sustainability and corporate social responsibility matters, and reviewing and updating our existing policies to meet our social needs.

The Group focuses on employment, staff development and training, supply chain management and community development as the key points of sustainable development during 2019. The Group expects to implement its corporate social responsibilities on these four issues by adhering to existing environmental, social and governance-related policies, and to leverage on the Group's influence in the industry to build up the future with various internal and external stakeholders.

The Group strives to take advantage of the Group's professional and intellectual media identity to serve different sectors in the society. The Group has been focusing on specialised schoolchildren's services, mobilising staff from all walks of life to serve schools, and delivering the idea of changing the society with love and education.

Having entered into the 10th anniversary of listing of the Group in 2019 and moving towards 2020, the Group looks forward to continuing the progress on sustainable development issues in the coming days, proactively understands the needs of society through active communication with various stakeholders, and makes use of existing resources and business to return to the community.

Shao Zhong
Chairman of the Board and Executive Director
23 March 2020

GOVERNANCE STRUCTURE

The Board supervises the ESG matters of the Group. The ESG Committee established by the Board formulates and implements relevant policies and strategies, sets key performance indicators and monitors the progress and final results, as well as reviews and amends relevant policies to ensure the effectiveness of implementation. As at 31 December 2019, the ESG Committee comprises three Executive Directors and one senior management member. At least one meeting is convened every year.

To support the work of the Board and the ESG Committee, the Group has also established an inter-departmental working group on ESG at management level. The team consists of one management personnel from each of the finance department, administration department and human resources department.

Environmental, Social and Governance risk management

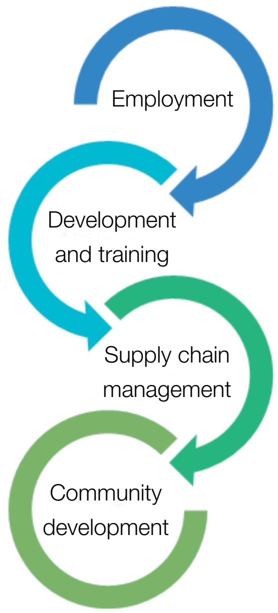
The Group has regarded compliance operation as the foundation of the risk management of the Group. The current internal control system has included issues such as financial, operation, compliance and risk management. The management is responsible for identifying and assessing the risks encountered by the Group, and designing, applying and monitoring effective internal control system. In the coming year, the Group will consider the incorporation of ESG factors and considerations into the risk management system, in order to identify the Group's exposure to ESG performance in such aspect in addition to compliance.

COMMUNICATION WITH STAKEHOLDERS

The Group values daily interactions with various stakeholders, and believes that communication among stakeholders is an integral part of the sustainability process. As a result, the Group has continued to open up various channels to feedback to various stakeholders, and promised to continue to listen carefully to the opinions of various stakeholders, particularly in the areas of ESG, so as to ensure sustainable development strategies to meet the needs of the various stakeholders.

Major stakeholders of the Group	Communication channels and methods
Internal stakeholders	
Directors, management personnel, executive personnel and staff	Internal communication system, procedures of claims from staff, meetings and interviews
External stakeholders	
Shareholders, customers, suppliers, government departments, banks and investors	Emails, phones, meetings, interviews, company visits and student internships

In order to ensure the existing sustainable development strategy and direction of the Group are consistent with the expectations of stakeholders, the Group has engaged a professional consulting firm to conduct management interviews. Based on the interviews and the consultants' opinions, the Group has selected four items from the eleven environmental and social areas as listed in the Guide as the key topics for discussion in this ESG Report. The key topics are as follows:



The Group recognises the importance of integrating the opinions from various stakeholders in establishing sound sustainability strategies and policies. In the future, the Group will strengthen communication with stakeholders, and open up more communication channels, such as focus groups and online questionnaires, for stakeholders to participate in the formulation process of the sustainable development strategy of Modern Media.

ATTACHING IMPORTANCE TO EMPLOYEES' DEVELOPMENT

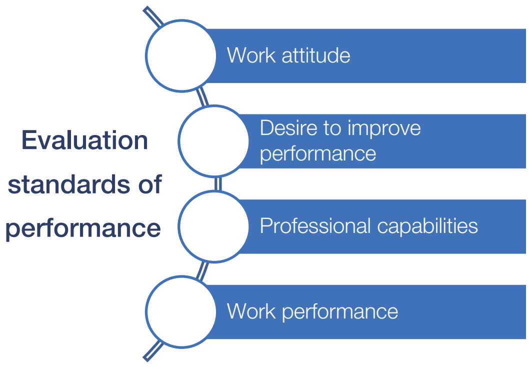
Based on the employment laws and regulations in relation to the Operating Spots, the Group implements the measures and guidelines as stipulated in the employee handbook (the "Employee Handbook") to ensure that employees are aware of the relevant remuneration and dismissal, recruitment and promotion, working hours, holidays and other benefits and remuneration policies. Establishing fair, trustworthy and respectful employment relationships through continuous communication with our employees is an important part of our business to promote sustainable development.

	Employment related policies and measures
Remuneration and dismissal	Employment contracts are entered into with the employees employed by the Group, and staff remuneration and benefits policies are formulated with reference to the market standards. The terms of employment, including remuneration, probation period and arrangement for termination of employment, are specified in the contracts and the Employee Handbook.
Recruitment and promotion	The Group has always adhered to the principle of meritocracy, which is based on its ability and commensurate with the position as a criterion for recruitment and promotion. An evaluation on promotion system is carried out annually.

Employment related policies and measures	
Working hours and holidays	The number of working hours for staff is set out in the Employee Handbook. In addition to statutory holidays, all staff are entitled to additional holidays such as annual leave, marriage leave, breastfeeding leave, etc., depending on their rank and years of service. The Group also provides half-day paid leave for each parent to participate in parent conference in the schools of their children.
Policies and measures to avoid child labour and forced labour	Child labour and forced labour exploit human rights and harm the interests of the society. As such, the Group has adopted a zero tolerance approach. The Group has stipulated policies to eliminate child labour and forced labour in our recruitment and daily operation in accordance with the relevant laws of the place of operation.
Appeal channels	The Group actively listens to the opinion of its staff, and establishes procedures for staff complaints and recommendations for them to lodge complaints.
Equal opportunity and diversification	The Group adheres to the principle of equal opportunity. Staff will not be treated differently based on factors such as race, ethnicity, age, gender, marital status, religious belief of the staff. On the basis of the Board Diversity Policy, the Group is planning to formulate a diversified and anti-discrimination policy for all of the staff, and further clarifying the direction and guidelines to enrich diverse working space.

Training and development

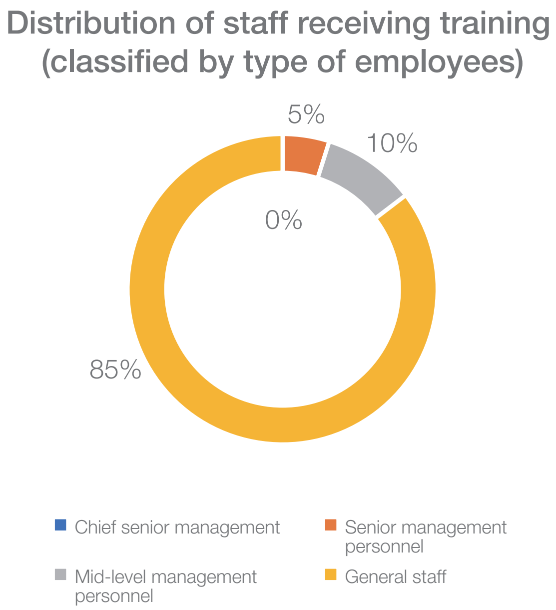
The Group attaches great importance to providing comprehensive development opportunities for its employees. Depending on the business development and the work performance of the staff, the staff may be transferred or promoted to meet the professional development of the Group. The Group conducts regular or ad hoc evaluation of employees at different stages, including probation evaluation, regular evaluation and annual evaluation. The annual evaluation is the evaluation of the work performance, ability, ethics and other factors of the staff for each year. The performance evaluation criteria are set out in the Employee Handbook to maintain the fairness of the evaluation. At the same time, each department of our Group communicates with our staff to formulate performance targets that are specific, measurable, achievable, work-related and time-sensitive, so that our employees may understand the expectation of our Group.

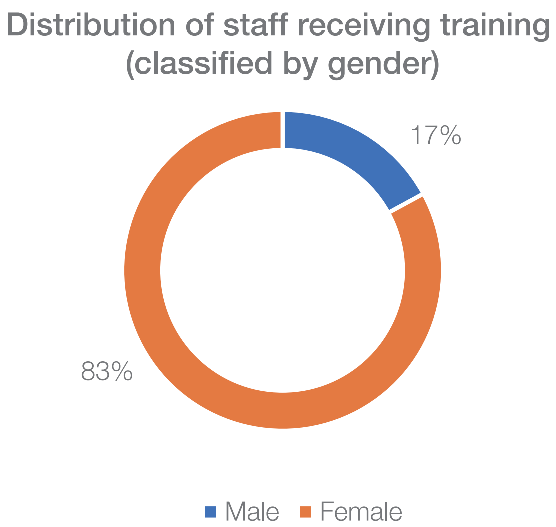


Environmental, Social and Governance Report *(continued)*

In order to grow together with our staff, the Group arranges relevant trainings for our staff. Below is a brief description of the training activities for the year:

Review on Training for the Year	
Creative training	Paper is used as an activity centre for the staff to retake the art of book reading, inspiring them to imagine the details of binding, paper and layout.
Design and editing training	Foreign reputable books and graphic designers are invited to hold seminars to analyze contemporary books and graphic design trends, and to exchange industry experience with staff.





Health and Safety

The Group strives to protect the health and safety of our staff, and to ensure that our employees always work in a safe environment. As the principal working space is an office, the Group provides guidance in the Employee Handbook for areas such as office safety, office fire safety and personal safety of staff, so that employees understand the Group's measures for the health and safety of its staff. In addition, the guidelines provide guidance on handling procedures for work-related accident to ensure that staff receive appropriate assistance.

The staff of the Group engaged in the magazine publishing business are exposed to computer screen and text work for a long period of time. The Group is concerned about the health of its staff in the workplace. In addition to placing green plants in our office to create a relaxing office environment, we encourage our employees to do stretching exercise on a timely basis to avoid eye strain after working for a long time.

Labour Standards

Modern Media forbids child labor or forced labor in the workplace, and specifies relevant provisions in the staff handbook.

The staff handbook stipulates that interviewees for any position must be at least 18 years old and have complete certificates in place for inspection. Meanwhile, the Group encourages employees to complete relevant work within working hours. Should employees need to work overtime due to work arrangements, they must fill in the "Overtime Application Form" in advance and submit it to the management for approval. After working overtime, employees can go to work later on the next day or make arrangements for rest according to relevant provisions. In addition, the Group gives employees the right to quit at their discretion and will not unfairly restrict the employment relationship between employees and the Group in any way.

The Group abides by relevant laws and regulations, such as the Labor Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors and the Employment of Young Persons (Industry) Regulations of Hong Kong. The Group found no violation related to child labor or forced labor during the reporting period.

RESPONSIBLE OPERATION

Supply Chain Management

The Group regards supplier management as an important issue for sustainable development of the Group. The guidelines of the Group on the principles of supplier management and the selection ratings are set out in the policies and guidelines for Supplier Management Policy and Selection Standards of Suppliers from Printing Factories. The policy provides six key indicators for supplier selection: 1) quality level; 2) delivery capability; 3) price level; 4) back-up service; 5) human resources; and 6) existing cooperation status. We coordinate with supplier selection procedures to select suppliers which meet the requirements of the Group.

Procedures of supplier selection are as follows:

In order to avoid conflicts of interest, the Group will not use any suppliers associated with the staff of the Group and will only be able to adopt such suppliers given that they are required to report to the management for filing and approval in case of special circumstances.

In addition to the screening process as the first line of defense for supply chain management, the Group conducts annual evaluation of suppliers to maintain the quality of suppliers. The assessment criteria includes the quality of service, the treatment of suppliers' exceptional circumstances and peer-to-peer price comparison, to assess the quality of suppliers and to eliminate disqualified merchants and replace disqualified suppliers. In addition, the Group formulated guidelines on the acceptance criteria and the inspection and acceptance procedures of the suppliers to ensure consistent quality of acceptance.

Going forward, in order to cope with the sustainable development strategy of the Group, the Group plans to consider incorporating environmental, social and other performance indicators into the supplier evaluation factors to ensure that the suppliers are in line with the Group's sustainable development philosophy.

Product Responsibility

The Group strictly controls the quality of its publications. The Group's "Requirements for Reviewing and Checking Publications at Different Levels" provides guidelines for the quality management of magazines published by the Group, and lists out the gate-keeping requirements and quality management principles of each of the procedures of publications (including review, editorial, design and communication with advertising customers), in order to reduce product error rates.

As the publications bring ideological, sensory and even behavioral influence to the general public, their content orientation is closely related to the health and safety of the Group's products and services. During the three-level review process, the editorial staff shall pay attention to the orientation and the ideological nature of the articles, and shall carefully check the relevant figures, measurement units, phone numbers, websites, English language specifications and names, terminology and sentence expressions of Chinese translation to avoid misleading readers.

As a responsible media group, the Group values and maintains its intellectual property rights. The Group requires mutual recognition of each other's intellectual property rights in the contracts of suppliers and joint compliance with relevant national laws and regulations. The Group addresses the importance of customer privacy in the Group's responsible operation in the Employee Handbook, to ensure that its staff understand and comply with the guidelines on customer privacy of the Group. The Group does not allow any leakage of confidentiality, and the Group reserves the rights to pursue legal and economic liabilities of the parties if any leakage of confidentiality is discovered. As the advertising service and platforms are provided by the media business to advertisers, the Group will conduct review when selecting the advertisers, in order to ensure compliance with the PRC Advertising Law by the advertisers.

The Group will continue to implement its existing product quality management policies, examine its effectiveness, and plan its policies with regard to intellectual property rights, product labeling (if applicable) and product recycling in the future.

Review
Responsible for proofreading of text contents, ensuring that the text contents, grammar and information of the publication are accurate

Editorial
Adoption of three-level review of "editor's first review – chief editor's second review - editor-chief's final review"

Assurance of the accuracy of technical terms and figures provided by numerous publications of the Group

Design
Design of contents and image typesetting, providing clear and readable typeset version for readers

Communication with advertising customers
Review on information and contents after communication with advertising customers

Anti-corruption

The Group has been maintaining close communication with its business partners and supply chain, in order to avoid anti-corruption related misconduct and illegal acts. The Group has established policies and guidelines in relation to bribery, extortion, fraud and money laundering in the Employee Handbook to ensure that the relevant principles and requirements are clearly understood by the staff. The Employee Handbook clearly formulates the guidelines of the acceptance of gifts by staff, and emphasises that staff should not accept any gifts or presents worth more than RMB100 in order to prevent violation of the ethical requirements of the Group. The Group also maintains whistle-blowing procedures for staff to report suspected cases directly to the top management to ensure compliance with standards and encourage staff to report dishonest conduct. The Group will uphold the integrity of its operating standards to avoid and prevent any corruption from occurring in a timely manner.

COMMUNITY DEVELOPMENT

The Group attaches great importance to the development of the domestic community, and the Group hopes to reach out to the community by organising different community activities and investment to connect with the community. The Group believes that the concept of "Spreading Love and Education" has always focused on community investment in the development of education. Modern Media Special Education School, which is sponsored by the Group and located in Songzi City in the southwestern part of Hubei province, aims to establish a shelter for students in need to concentrate on their learning and leverage on their potential. During the year, Mr. Mok Chun Ho, Neil, Chief Financial Officer and an Executive Director of the Group, and Ms. Yang Ying, an Executive Director of the Group, led the volunteer team to the Modern Media Special Education School to visit the campus and participated in teaching activities, interacting with students and celebrating teachers festival with teachers and students.

Going forward, the Group will continue to engage in the development of special education to support education of children with special needs, and will formulate policies on participation and investment in the community, so as to provide systematic flow for planning development activities in the community.

Special Education Foundation of Modern Media
Special Education Foundation of Modern Media aims to transform the life of the next generation by supporting education in mainland China. The foundation contributes to various education programs in the PRC, including construction of school campus, as well as volunteer services, donations of materials and other ways to help schools in mainland China, focusing more on the area of special education, disseminating social responsibility, and concerning the future of educational of children with disabilities.

ENVIRONMENTAL PROTECTION

The Group aims to maintain daily operation of business while reducing the impact of environment on the operation of the Group. The Group has adopted the Corporate Environmental Protection Management System as a guideline to advocate the concept of "low-carbon and environmental protection, green office" and plan to revise the environmental management system, including incorporating response policies on climate that have significant impact on the Group, to comprehensively and effectively respond to the environment problems which bring about stress and opportunities to the business.

Greenhouse gas and emission

The Group has adopted a series of measures to reduce emission and carbon footprint during the course of operation and business:

Emission

- Implementing green travel concepts and advocating reduction of the use of vehicles;
- Encouraging the staff to take public transport if the destination is within 3 km;

Green house gas

- Appointing independent consultant to conduct carbon evaluation, in order to quantify the emission of greenhouse gas produced during the operation of the Group (or named as "carbon emissions"); the quantification process is carried out with reference to the guideline prepared by the Hong Kong Environmental Protection Department and the Electrical and Mechanical Services Department[3], the guidance issued by the Shanghai Municipal Development and Reform Commission[4], the guidance issued by the Guangdong Municipal Development and Reform Commission[5] and international standards such as ISO14064–1; and

- Maintaining the assessment and recording the emission data enable the Group to review the effectiveness of the existing environmental policies, the Group will continue to record environmental data and review regularly, to further improve the environmental data system as the basis for formulating environmental policies and measures in the future.

	Emissions for the Year (tons of CO_2 equivalent)		
Scope	**Hong Kong Headquarters**	**Guangzhou Office**	**Shanghai Office and Modern Space**
Scope I-Direct Greenhouse Gas Emissions	6.1	45.4	45.2
Scope II-Indirect Energy Greenhouse Gas Emissions	91.7	87.2	299.2
Scope III-Other Indirect Greenhouse Gas Emissions[6]	5.1	24.6	212.9

3 i.e. Guidelines for Accounting and Reporting of Greenhouse Gas Emissions and Deductions from Buildings (Commercial, Residential or Public Use) of Hong Kong.

4 i.e. Guidance for Accounting and Reporting of Greenhouse Gas Emissions of Shanghai.

5 i.e. General Rules for Information Report of Carbon Dioxide Emissions from Enterprises (Unit) in Guangdong Province (Revised in 2018).

6 The emissions indirectly generated by the Hong Kong Headquarters under the Scope III included the emissions from discarded waste paper arising from the printing paper presswork, the greenhouse gases emissions involved in the use of drinking water and sewage discharge, as well as the emissions arising from the business travel by air of staff. The indirect emissions generated by the Shanghai Office and the Modern Space as well as Guangzhou Office under the Scope III only included the emissions caused by business travel by air of staff.

The Group's gas emission and emission of greenhouse gas in scope I is derived from the emission of vehicle exhaust gas from Operating Spots, the emission of greenhouse gas in scope II and scope III is derived from outsourced electricity (accounting for 58% of the total emission) and the business travel by air (accounting for 29% of the total emission). The total greenhouse gas emissions during the year increased as compared to 2018, mainly due to expansion of the scope of the report. Total greenhouse gas emissions within the original scope of report (i.e. Hong Kong Headquarters, Shanghai office and Modern Space) actually decreased by approximately 1% as compared with 2018, among which notably is the decrease in greenhouse gas emission generated from business travel by air in scope III, which is approximately 12% lower than that in 2018, demonstrating the effectiveness of the Group in reducing carbon emissions.

The waste gas emissions of the Group are all derived from vehicle emissions of NOx, sulfur oxides and inhalable suspended particles. The use of gasoline of vehicles in Hong Kong Headquarters, Shanghai office and Modern Space increased by 43% and 46% as compared with 2018, respectively. Increase in the use of vehicles are associated with increased demand for business, resulting in increase in emissions of various types of air pollutants. It is worth mentioning that diesel stations are not used at the Operating Spots, demonstrating the commitment of Modern Media to environmental protection. The Group will continuously review the air pollutants emitted by vehicles, and promote good vehicle maintenance and environmental protection driving habits.

	Emissions for the Year (kg)		
Air pollutants	**Hong Kong Headquarters**	**Guangzhou Office**	**Shanghai Office and Modern Space**
Nitrogen oxides	2.1	24.7	4.1
Sulfur oxides	0.0	1.5	1.5
Inhalable suspended particles	0.2	1.2	0.4

Energy and resources management

Consumption of resources of the Operating Spots are mainly outsourced electricity, water resources and office daily waste. The Group has established a series of energy saving measures for the offices to improve energy efficiency and avoid waste of resources.

Energy saving measures of office

Power consumption

- Encouraging the use of natural light during daytime to reduce power consumption of lighting equipment
- Encouraging the use of LED bulbs reducing the usage of incandescent lamps
- Ensuring to turn off the lights in the office after using the meeting rooms and after work
- Encouraging energy saving concerns of compute; turning off the computer and the screen after work and refraining from turning sleep mode of computers for a short period of time
- Avoiding too high or too low temperature of air conditioners

Use of paper

- Promoting paperless office, replacing traditional high paper-consumption with electronic system, and replacing facsimile paper with e-mail
- Encouraging recycle of daily office paper and envelopes
- Implementation of recycle plan of waste paper in office; paper is recycled by wate paper companies before being sorted in the office

Use of energy	Use of Resources Hong Kong Headquarters	Guangzhou Office	Shanghai Office and Modern Space
Petrol (megawatt-hours)	20.6	182.1	181.2
Outsourced power (megawatt-hours)	114.6	143.0	490.4
Use of water resources			
Water consumption (cu. m)	73	–[7]	1,049[8]

During 2019, the density of energy use increased by 40% as compared with 2018. The main reasons include: the increase in electricity consumption caused by overtime work, the increase in the usage of air-conditioning power affected by weather conditions, and the increase in the use of electricity caused by newly opened air-conditioners throughout the day.

The Operating Spots also generate a small amount of hazardous waste, such as waste toner cartridges, computer screens, waste batteries and waste fluorescent tubes, etc. In order to properly dispose of the hazardous waste, Modern Media has entrusted a company with the qualification of handling hazardous waste to collect and dispose of those hazardous waste. During 2019, the density of hazardous waste and non-hazardous waste at the Operating Spots decreased by 43% and 22% as compared to 2018, respectively.

Production volume of waste	Management of waste Hong Kong Headquarters	Guangzhou Office	Shanghai Office and Modern Space
Hazardous waste (tonne)	0.006	–[9]	0.064
Non-hazardous waste (tonne)	5.0	2.0	29.8

In order to minimise the impact of printing magazines on the environment, the Group uses FSC-certified paper for printing to ensure that the magazines produced by the Group avoid using products originated from endangered tree species or illegal logging. In order to continuously improve the impact on the environment and natural resources of the Group, the Group will explore and implement the feasibility of other sustainable development measures for energy saving in magazine production and office.

7 The Guangzhou Office is managed by the property management company, and does not have a separate water meter to obtain readings.

8 The data only includes the water consumption of Modern Space and part of the Shanghai Office (part of Jianguo Middle Road). The Shanghai Office of Huaihai Middle Road does not have separate water supply channels and water facilities, and its public water facilities do not provide data on the distribution of water meters.

9 The Guangzhou Office does not have the statistics of its production volume of hazardous waste, and the Group will improve the data collecting process in the coming year.

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

		2019	2018	Unit
A1.1	**Emissions category and related data**			
	Nitrogen oxides	30.9	3.7	kg
	Sulfur oxides	3.0	1.02	kg
	Inhalable suspended particles	1.8	0.4	kg
A1.2	**Emissions of greenhouse gas**			
	Total emissions of greenhouse gas	817.4	665.4[10]	t CO2e
	Intensity of greenhouse gas	0.1	0.1	t CO2e/sq. m
A1.3	**Hazardous waste[11]**			
	Total hazardous waste	0.1	0.12	tonnes
	Intensity of non-hazardous waste produced	0.009	0.00002	tonnes sq. m
A1.4	**Non-hazardous waste**			
	Total non-hazardous waste produced	36.8	29.0	tonnes
	Intensity of non-hazardous waste produced	0.004	0.006	tonnes/sq. m
A2.1	**Energy consumption**			
	Petrol	383.9	138.6	MWh
	Outsourced power	748.0	594.0	MWh
	Energy consumption in total	1,131.9	732.6	MWh
	Intensity of energy consumption	0.1	0.1	MWh/sq. m
A2.2	**Water consumption**			
	Water consumption in total	1,122	1,054	cu. m
	Intensity of water consumption	0.2	0.2	cu. m/sq. m
A2.5	**Packaging materials used in finished products**			
	Total amount of packaging materials	0	0	
	Intensity of packaging materials	N/A	N/A	

10 The power greenhouse gas emissions for 2019 were calculated using the national grid average emission factor. Therefore, the energy indirect greenhouse gas emissions for 2018 were recalculated for fair comparison.

11 The statistics do not include production volume in Guangzhou Office. The Group will optimise the data collection process in the coming year to perform verification of the amount of waste generated at the Operating Spots.

Social performance

B1-B2		Number of employees by age, gender and rank				Number of new employees			Turnover rate of employees		
Location		Hong Kong	Guangzhou	Shanghai	Overall	Hong Kong	Guangzhou	Shanghai	Hong Kong	Guangzhou	Shanghai
Gender	Male	12	14	75	101	33%	0%	23%	50%	21%	37%
	Female	22	21	234	277	23%	29%	25%	32%	71%	53%
Employment type	Full time	34	28	302	364	26%	21%	24%	38%	64%	50%
	Part-time	0	7	7	14	–	0%	43%	–	0%	14%
Age	Aged under 30	8	2	143	153	38%	200%	42%	63%	600%	62%
	Aged 30–40	10	11	112	133	40%	18%	11%	40%	36%	47%
	Aged 41–50	9	10	30	49	0%	0%	7%	22%	20%	17%
	Aged over 50	7	12	24	43	29%	0%	4%	29%	0%	21%
Total number of employees		34	35	309	378	26%	17%	24%	38%	51%	49%
Ratio of male and female employees		0.5:1	0.7:1	0.3:1	0.4:1						
Number of work-related fatalities		0									
Rate of work-related fatalities		0%									
Number of work-related injury		0									
Number of lost days due to work injury		0									

B3 Development and Training		Percentage of employee receiving training	Average training hours
Type of employees	Chief senior management	0%	0.0
	Senior management	8%	0.2
	Mid-level management	13%	0.3
	General staff	27%	0.7
Gender	Male	14%	0.3
	Female	25%	0.6
Total number		22%	0.5

B5 Supply Chain Management

Operation Location	Supplier location	Products or services produced	Number of suppliers	Proportion of suppliers implementing relevant practice
Hong Kong Headquarters	Hong Kong, China	Office daily necessities; travel agency	9	100%
Guangzhou Office	Mainland, China	Production, marketing activities and labour intermediary services; printing service; administration and office supplies	127	100%
Shanghai Office and the Modern Space	Mainland China and Overseas	Marketing activities and labour intermediary services; printing service; administration and office supplies	2,282	100%

B6 Product Responsibility

Percentage of recalls for safety and health reasons	0%
Number of complaints about products or services	0

COMPLIANCE

Compliance of relevant laws and regulations

Level	Laws relevant to the Group's operation	Compliance disclosure
ENVIRONMENT	The Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention Law of the People's Republic of China, the Air Pollution Prevention Law of the People's Republic of China, the Waste Disposal Ordinance, the Air Pollution Control Ordinance and Motor Vehicle Idling (Fixed Penalty) Ordinance	The Group has not breached the relevant laws and regulations which have significant impact on the Group during the reporting period.
EMPLOYMENT	The Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Employment Ordinance, the Minimum Wage Ordinance and Workmen's Compensation Ordinance	The Group has not breached the relevant laws and regulations which have significant impact on the Group during the reporting period.

Level	Laws relevant to the Group's operation	Compliance disclosure
HEALTH AND SAFETY	The Production Safety Law of the People's Republic of China, the Occupational Disease Prevention Law of the People's Republic of China, the Fire Prevention Law of the People's Republic of China and the Occupational Safety and Health Ordinance	The Group has not breached the relevant laws and regulations which have significant impact on the Group during the reporting period.
PRODUCT RESPONSIBILITY	The Product Quality Law of the People's Republic of China, the Advertising Law of the People's Republic of China and the Trade Description Ordinance	The Group has not breached the relevant laws and regulations which have significant impact on the Group during the reporting period.
ANTI-CORRUPTION	The Anti-Unfair Competition Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Prevention of Bribery Ordinance	The Group has not received corruption litigation cases against the enterprises or employees, nor has it breached the relevant laws and regulations which have significant impact on the Group during the reporting period.

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Environmental, Social and Governance Report *(continued)*

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B5 Supply Chain Management		
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Subject areas	Description	Page
B6 Product Responsibility		
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Independent Auditor's Report

Grant Thornton
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To the members of Modern Media Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Modern Media Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 98 to 207, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in our audit
Impairment assessment on goodwill *Refer to Note 17 to the consolidated financial statements*	
The Group's goodwill arising from business combinations amounting to RMB43,091,000 as at 31 December 2019 is allocated to the Group's cash-generating units ("CGU") identified according to operating segment. Management has tested such goodwill for impairment as at 31 December 2019, and concluded that an impairment loss on goodwill of RMB800,000 was recognised in the consolidated statement of profit or loss and other comprehensive income. This conclusion is based on value in use calculations with key assumptions of average annual and long term growth rate of revenue, gross margin and discount rate that required significant management judgement. The impairment test of this asset is considered to be a key audit matter due to the magnitude of the goodwill balance and the significant judgement made by management in estimating the recoverable amount of the goodwill.	Our procedures in relation to management's impairment assessment included: – Assessing the valuation methodology and the appropriateness of the key assumptions used to estimate the value in use; – Challenging the reasonableness of key assumptions based on our knowledge of the business and industry; – Reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets; and – Subjecting the key assumptions to sensitivity analysis.

KEY AUDIT MATTERS *(continued)*

Key audit matters	How the matters were addressed in our audit
Impairment assessment of trade receivables *Refer to Note 20 to the consolidated financial statements*	
According to IFRS 9 "Financial Instruments", impairment loss is determined by forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgment by the management and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows from the debtors and forward-looking macroeconomic factors. As at 31 December 2019, the Group has gross trade receivables of RMB214,139,000, against which ECL allowance of RMB6,894,000 is recorded. Due to the significance of trade receivables (representing 27.9% of total assets) and the corresponding uncertainty inherent in such estimates, we consider this as a key audit matter.	Our procedures in relation to management's impairment assessment included: – Obtaining an understanding of the Group's procedures on credit limits, credit periods given to customers, debt collection and estimate of ECL; – Assessing the impairment methodology, the governance for the ECL models, inputs and assumptions used by the Group in calculating the ECL; – Assessing the reasonableness of the Group's ECL models, including the model input and model design; – Re-computing and testing the trade receivables ageing analysis, on a sample basis, to the source documents; and – Challenging the information used to determine the ECL by considering cash collection performance against historical trends.

Independent Auditor's Report *(continued)*

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2019 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report *(continued)*

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

23 March 2020

Ng Ka Kong
Practising Certificate No.: P06919

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

Year ended 31 December 2019 HK$'000		Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
498,656	Revenue	5	446,065	448,964
(268,030)	Cost of sales	8	(239,762)	(256,306)
230,626	Gross profit		206,303	192,658
7,813	Other income	6	6,989	2,848
1,121	Other gains	7	1,003	959
(97,624)	Distribution expenses	8	(87,328)	(107,150)
(127,646)	Administrative expenses	8	(114,184)	(111,441)
14,290	Operating profit/(loss)		12,783	(22,126)
38	Finance income		34	126
(7,244)	Finance expenses		(6,480)	(3,910)
(7,206)	Finance expenses – net	10	(6,446)	(3,784)
(819)	Share of post-tax losses of associates	11(b)	(733)	(1,677)
(309)	Share of post-tax losses of a joint venture	11(b)	(276)	(224)
(1,212)	Impairment loss on interests in associates	11(b)	(1,084)	(3,698)
(592)	Impairment loss on interest in a joint venture	11(b)	(530)	–
4,152	Profit/(Loss) before income tax		3,714	(31,509)
(1,685)	Income tax expense	12	(1,507)	(2,961)
2,467	**Profit/(Loss) for the year**		2,207	(34,470)
	Other comprehensive (loss)/income			
	Items that may be subsequently reclassified to profit or loss			
(2,061)	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			
(2,686)	Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	19	(2,403)	(2,900)
(4,747)	Other comprehensive (loss)/income for the year		(4,247)	4,025
(2,280)	Total comprehensive loss for the year		(2,040)	(30,445)

Consolidated Statement of Profit or Loss and Other Comprehensive Income *(continued)*

For the year ended 31 December 2019

Year ended 31 December 2019 HK$'000		Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
	Profit/(Loss) attributable to:			
403	– Owners of the Company		361	(35,075)
2,064	– Non-controlling interests		1,846	605
2,467			2,207	(34,470)
	Total comprehensive (loss)/income attributable to:			
(3,648)	– Owners of the Company		(3,264)	(32,022)
1,368	– Non-controlling interests		1,224	1,577
(2,280)			(2,040)	(30,445)
	Earnings/(Loss) per share attributable to owners of the Company (expressed in RMB per share)			
HK$0.0009	Basic and diluted	13	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.

The notes on pages 104 to 207 are an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

As at 31 December 2019 HK$'000		Notes	As at 31 December 2019 RMB'000	2018 RMB'000
	ASSETS AND LIABILITIES			
	Non-current assets			
226,441	Property, plant and equipment	14	202,559	177,680
42,078	Investment properties	15	37,640	37,380
65,695	Intangible assets	16	58,766	48,056
48,171	Goodwill	17	43,091	32,041
3,225	Software development in progress	18	2,885	2,991
2,627	Interests in associates	11(b)	2,350	4,106
–	Interest in a joint venture	11(b)	–	276
614	Financial assets at fair value through other comprehensive income	19	549	3,071
8,353	Prepayments for property, plant and equipment	20	7,472	5,234
4,836	Prepayment for acquisition of a subsidiary	20	4,326	–
989	Deferred income tax assets	30	885	835
403,029			360,523	311,670
	Current assets			
324,126	Trade and other receivables	20	289,942	262,749
56,731	Inventories	21	50,748	48,896
47,601	Cash and cash equivalents	22	42,581	17,918
428,458			383,271	329,563
	Current liabilities			
100,390	Trade and other payables	26	89,802	57,335
21,575	Lease liabilities	27	19,300	–
10,472	Contract liabilities	28	9,368	14,908
10,682	Current income tax liabilities		9,555	8,815
145,328	Borrowings	29	130,001	101,108
288,447			258,026	182,166
140,011	**Net current assets**		125,245	147,397
543,040	**Total assets less current liabilities**		485,768	459,067
	Non-current liabilities			
2,000	Borrowings	29	1,789	–
23,219	Lease liabilities	27	20,770	–
11,587	Deferred income tax liabilities	30	10,365	7,020
36,806			32,924	7,020
506,234	**Net assets**		452,844	452,047

Consolidated Statement of Financial Position *(continued)*

As at 31 December 2019

As at 31 December 2019 HK$'000		Notes	As at 31 December 2019 RMB'000	2018 RMB'000
	EQUITY			
	Equity attributable to owners of the Company			
4,307	Share capital	23	3,853	3,853
230,028	Reserves	25	205,768	206,653
207,185	Retained earnings		185,334	187,903
441,520			394,955	398,409
64,714	**Non-controlling interests**		57,889	53,638
506,234	**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.

The consolidated financial statements on pages 98 to 207 are approved by the Board of Directors on 23 March 2020 and are signed on its behalf.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

The notes on pages 104 to 207 are an integral part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital (Note 23(a)) RMB'000	Treasury shares* (Note 23(b)) RMB'000	Shares held for Share Award Scheme* (Note 24) RMB'000	Share premium* (Note 25(c)(i)) RMB'000	Other reserves* (Note 25(c)(iv)) RMB'000	Statutory surplus reserves* (Note 25(c)(ii)) RMB'000	Property revaluation reserve* (Note 25(c)(v)) RMB'000	Fair value reserve (non-recycling)* (Note 25(c)(vi)) RMB'000	Translation reserve* (Note 25(c)(iii)) RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2018		3,853	–	(6,809)	145,302	(1,366)	50,397	16,465	(750)	(5,438)	224,536	426,190	46,286	472,476
Total comprehensive (loss)/ income for the year														
(Loss)/Profit for the year		–	–	–	–	–	–	–	–	–	(35,075)	(35,075)	605	(34,470)
Other comprehensive income/(loss) for the year														
Currency translation differences		–	–	–	–	–	–	–	–	5,953	–	5,953	972	6,925
Net movement in fair value reserve (non-recycling)		–	–	–	–	–	–	–	(2,900)	–	–	(2,900)	–	(2,900)
Total comprehensive (loss)/income		–	–	–	–	–	–	–	(2,900)	5,953	(35,075)	(32,022)	1,577	(30,445)
Transactions with owners														
Employees share award scheme	24													
- Vested		–	–	16	–	–	–	–	–	–	–	16	–	16
Appropriation to statutory surplus reserve		–	–	–	–	–	1,558	–	–	–	(1,558)	–	–	–
Capital injection from non-controlling interests	11(a)	–	–	–	–	4,225	–	–	–	–	–	4,225	5,775	10,000
Total transactions with owners		–	–	16	–	4,225	1,558	–	–	–	(1,558)	4,241	5,775	10,016
Balance at 31 December 2018		3,853	–	(6,793)	145,302	2,859	51,955	16,465	(3,650)	515	187,903	398,409	53,638	452,047
Balance at 1 January 2019		3,853	-	(6,793)	145,302	2,859	51,955	16,465	(3,650)	515	187,903	398,409	53,638	452,047
Total comprehensive (loss)/ income for the year														
Profit for the year		-	-	-	-	-	-	-	-	-	361	361	1,846	2,207
Currency translation differences		-	-	-	-	-	-	-	-	(1,222)	-	(1,222)	(622)	(1,844)
Net movement in fair value reserve (non-recycling)		-	-	-	-	-	-	-	(2,403)	-	-	(2,403)	-	(2,403)
Total comprehensive (loss)/income		-	-	-	-	-	-	-	(2,403)	(1,222)	361	(3,264)	1,224	(2,040)
Transactions with owners														
Employees share award scheme	24	-	(6,983)	6,793	-	-	-	-	-	-	-	(190)	-	(190)
- Purchased		-	-	(190)	-	-	-	-	-	-	-	(190)	-	(190)
- Expiry		-	(6,983)	6,983	-	-	-	-	-	-	-	-	-	-
Appropriation to statutory surplus reserve		-	-	-	-	-	2,930	-	-	-	(2,930)	-	-	-
Acquisition of a subsidiary	34	-	-	-	-	-	-	-	-	-	-	-	3,027	3,027
Total transactions with owners		-	(6,983)	6,793	-	-	2,930	-	-	-	(2,930)	(190)	3,027	2,837
Balance at 31 December 2019		3,853	(6,983)	-	145,302	2,859	54,885	16,465	(6,053)	(707)	185,334	394,955	57,889	452,844

* These reserves accounts comprise the Group's reserves of RMB205,768,000 (2018: RMB206,653,000) in the consolidated statement of financial position as at 31 December 2019.

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.

The notes on pages 104 to 207 are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

Year ended 31 December 2019 HK$'000		Notes	Year ended 31 December 2019 RMB'000	2018 RMB'000
	Cash flow from operating activities			
53,972	Cash generated from operations	31(a)	48,280	6,031
(558)	Income tax paid		(499)	(2,088)
53,414	**Net cash generated from operating activities**		47,781	3,943
	Cash flow from investing activities			
38	Interests received	10	34	126
(4,946)	Purchase of property, plant and equipment	14	(4,424)	(35,936)
102	Proceeds from disposal of property, plant and equipment	31(b)	91	309
(9,927)	Payments for software development in progress	18	(8,880)	(9,020)
-	Advance to an associate	11(b)	-	(290)
(592)	Advance to a joint venture	11(b)	(530)	(500)
-	Payment for equity investment	20	-	(1,022)
(2,502)	Prepayments for property, plant and equipment	20	(2,238)	(5,234)
(4,836)	Prepayment for acquisition of a subsidiary	20	(4,326)	-
(5,852)	Payment for acquisition of a subsidiary, net of cash and cash equivalents acquired	34	(5,235)	-
(4,472)	Increase in amount due from a related party		(4,000)	-
(32,987)	**Net cash used in investing activities**		(29,508)	(51,567)
	Cash flows from financing activities			
39,378	Proceeds from borrowings		35,225	36,503
(6,958)	Repayments of borrowings		(6,224)	(35,436)
(212)	Purchase of shares for the Share Award Scheme	24	(190)	-
(4,950)	Interests paid	10	(4,428)	(3,910)
(18,125)	Capital element of lease rental paid		(16,213)	-
(1,990)	Interest element of lease rental paid		(1,780)	-
-	Capital injection from non-controlling interests		-	10,000
7,143	**Net cash generated from financing activities**		6,390	7,157
27,570	**Net increase/(decrease) in cash and cash equivalents**		24,663	(40,467)
20,031	Cash and cash equivalents at beginning of year	22	17,918	58,385
47,601	**Cash and cash equivalents at end of year**	22	42,581	17,918

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.

The notes on pages 104 to 207 are an integral part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. GENERAL INFORMATION

Modern Media Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the 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 Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1–1103, 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 Company and its subsidiaries (hereinafter collectively referred to as the "Group") are 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 measurement bases are fully described in the accounting policies below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

The amounts in the consolidated financial statements are presented in RMB. The translation into Hong Kong dollars ("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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

IFRS 16 "Leases" *(continued)*

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.

On transition to IFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 6.0%.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

IFRS 16 "Leases" *(continued)*

As lessee (continued)

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

As a lessor

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.1 Basis of preparation *(continued)*

2.1.1 Changes in accounting policy and disclosures *(continued)*

(a) New and amended standards adopted by the Group (continued)

IFRS 16 "Leases" *(continued)*

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	Classification of Liabilities as Current or Non-Current[3]
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[4]
Amendments to IFRS 3	Definition of a Business[5]
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 for annual periods beginning on or after 1 January 2022
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. The new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If, after reassessment, those total amounts is less than the fair value of the net identifiable assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Subsidiaries *(continued)*

2.2.1 Consolidation *(continued)*

(a) Business combinations (continued)

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Joint arrangements

The Group has applied IFRS 11 to all joint arrangements. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in profit or loss and its share of post-acquisition movements in other comprehensive income in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the senior executive management of the Company that makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is HK$. The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities in each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses in each statement of profit or loss and other comprehensive income are translated at average exchange rates; and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arised are recognised in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in Note 2.24) are stated at historical cost less accumulated depreciation and accumulated impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

	Years
Buildings held for own use	40 to 50 years
Office equipment	3 to 5 years
Furniture and fixtures	3 to 10 years
Motor vehicles	5 to 10 years

Leasehold improvements are depreciated over the shorter of their estimated useful lives, being 10 years from the date of completion, and the unexpired terms of the leases.

Upon the application of IFRS 16, accounting policy for depreciation of right-of-use assets is set out in Note 2.24.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains or losses – net" in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.8 Investment properties

Investment properties are buildings which are owned to earn rental income and/or for capital appreciation.

On initial recognition, investment property is measured at cost and subsequently at fair value, unless its fair value cannot be reliably determined at that time.

If an owner-occupied property becomes an investment property, the Group applies the policy stated under "Property, plant and equipment" up to the date of change in use. Any difference at that date between the carrying amount of the property and the fair value is recognised in property revaluation reserve.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the reporting date reflect the prevailing market conditions at the reporting date.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

2.9 Intangible assets

(a) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets and liabilities acquired.

Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(b) Software and mobile applications

Costs associated with maintaining software and mobile applications are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software and mobile applications development costs recognised as assets are amortised over their estimated useful lives.

(c) Other intangible assets

Other intangible assets mainly include publishing rights, customer relationships, trademarks, domains and IT platforms and film distribution right. Intangible assets with a finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives including trademark are carried at cost less any subsequent accumulated impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Intangible assets *(continued)*

(d) Amortisation

Amortisation commences when the intangible assets are available for use. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives, as follows:

	Years
Publishing rights	6 to 7 years
Customer relationships	3 to 5 years
Trademarks, domains and IT platforms	3 to 10 years
Software and mobile applications	3 to 5 years
Others (other than film distribution right)	15 years

Film distribution right is amortised based on the proportion of actual revenue earned during the year to total estimated projected revenue.

2.10 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life or software development in progress are not subject to amortisation and are tested annually for impairment. The Group's intangible assets other than goodwill, software development in progress, property, plant and equipment (including right-of-use assets), interests in associates and a joint venture and the Company's interests in subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

For the purposes of assessing impairment, the recoverable amount is determined for a CGU. Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on assets other than goodwill is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(c) Measurement *(continued)*

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are recognised in profit or loss. The Group's cash and cash equivalents and trade and other receivables fall into this category of financial instruments.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in "finance income" using the effective interest rate method. Foreign exchange gains and losses and impairment expense are recognised in profit or loss.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(c) Measurement *(continued)*

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established.

The equity instruments at fair value through other comprehensive income are not subject to impairment assessment. The cumulative gain or loss in "fair value reserve (non-recycling)" will not be reclassified to profit or loss upon disposal of the equity instruments, and will be transferred to retained earnings.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss as applicable.

(d) Impairment

IFRS 9's impairment requirements use more forward-looking information to recognise ECL – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

12-month ECL are recognised for the Stage 1 category while lifetime ECL are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(d) Impairment *(continued)*

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.11 Financial assets *(continued)*

(d) Impairment *(continued)*

Other financial assets measured at amortised cost (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in Note 3.2(b).

2.12 Offsetting financial instruments

Financial assets and liabilities other than leases liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.13 Inventories

Inventories are artworks intended for sale and goods held in a retail store of the Group and stated at the lower of cost and net realisable value. Cost for artworks includes expenditures that is directly attributable to the acquisition of the items. Cost for goods held in a retail store is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.16 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

2.19 Current and deferred income tax

The income tax expense for the period comprises current and deferred income tax. Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate and in the countries where the Company and its subsidiaries, associates and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.19 Current and deferred income tax *(continued)*

(b) Deferred income tax *(continued)*

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and a joint venture, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint venture only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits

(a) **Pension obligations**

Retirement benefits to employees are provided through defined contribution plans.

The PRC employees of the Group are covered by various PRC government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based. The relevant government agencies are responsible for the pension liability to these employees when they retire. The Group contributes on a monthly basis to these pension plans for the employees which are determined at a certain percentage of their salaries. Under these plans, the Group has no obligation for post-retirement benefits beyond the contribution made. Contributions to these plans are expensed as incurred and contributions paid to the defined contribution pension plans for an employee are not available to reduce the Group's future obligations to such defined contribution pension plans even if the employee leaves.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The other employees are covered by other defined-contribution pension plans sponsored by local government.

(b) **Housing funds, medical insurance and other social insurance**

The PRC employees of the Group are entitled to participate in various government-sponsored housing funds, medical insurance and other social insurance. The Group contributes on a monthly basis to these funds and insurance based on certain percentages of the employees' salaries. The Group's liability in respect of these funds and insurance is limited to the contributions payable in each period. The non-PRC employees are not covered by these funds and insurance.

(c) **Bonus entitlements**

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(d) **Employee leave entitlements**

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Employee benefits *(continued)*

(e) Equity-settled share-based payment

The Group established an equity-settled share-based compensation plan to recognise the contribution made by the directors and employees of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options at the grant day.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.21 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition

The following describes the Group's revenue recognition policy applied:

Revenue arises mainly from advertising contracts, sale of magazines and periodicals, production, events and services, sales of artworks and goods and restaurant operation.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer.

2. Identifying the performance obligations.

3. Determining the transaction price.

4. Allocating the transaction price to the performance obligations.

5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations.

(a) Advertising income

Revenue from advertising contracts, net of rebates, sales taxes and related surcharges, are recognised at a point in time upon the publication of the magazines and periodicals, and mobile applications, available to public in which the advertisement is placed.

(b) Circulation and subscription income

Circulation and subscription income, net of estimated returns, represents sale of magazines and periodicals, which is recognised at a point in time when the publication is delivered to the customers at which the control of the magazines and periodicals is transferred.

(c) Production, event and service income

Production, event and service income, net of discounts, sales taxes and related surcharges, is recognised over time when the relevant services are rendered to customers, by reference to progress of the specific transaction and assessed on the basis of actual services provided as a proportion of total service to be provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.22 Revenue recognition *(continued)*

(d) Sales of artworks and goods

Sales of artworks and goods in retail stores are recognised at a point in time when the control of the artworks and goods is passed to the customers upon delivery.

(e) Revenue from restaurant operation

Revenue from restaurant operation is recognised at a point in time when related services have been rendered to customers.

(f) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

(g) Rental income

Accounting policies for rental income are set out in Note 2.24.

2.23 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to income is presented in gross under “other income” in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases

(a) Definition of a lease and the Group as a lessee

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Except for those right-of-use assets meeting the definition of investment properties and those relating to a class of property, plant and equipment to which revaluation model was applied, the Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset (except for those meeting the definition of investment properties) for impairment when such indicator exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

(a) Definition of a lease and the Group as a lessee *(continued)*

Policy applicable from 1 January 2019 (continued)

Measurement and recognition of leases as a lessee *(continued)*

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

(a) Definition of a lease and the Group as a lessee *(continued)*

Policy applicable from 1 January 2019 (continued)

Measurement and recognition of leases as a lessee *(continued)*

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated financial statement of financial position, right-of-use assets that do not meet the definition of investment property have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

Policy applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Operating leases

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.24 Leases *(continued)*

(b) **The Group as a lessor**

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.26 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) **the party is a person or a close member of that person's family and if that person:**

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) **the party is an entity and if any of the following conditions applies:**

- (i) the entity and the Group are members of the same group.
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) the entity and the Group are joint ventures of the same third party.
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.26 Related parties *(continued)*

(b) **the party is an entity and if any of the following conditions applies:** *(continued)*

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

3.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at fair value through other comprehensive income	549	3,071
Financial assets at amortised cost		
– Trade and other receivables	251,919	226,057
– Cash and cash equivalents	42,581	17,918
	295,049	247,046
Financial liabilities at amortised cost		
Trade and other payables	83,117	50,435
Borrowings	131,790	101,108
Lease liabilities	40,070	–
	254,977	151,543

3.2 Financial risk factors

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments to hedge certain risk exposures for the years ended 31 December 2019 and 2018.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(a) Market risk

(i) Foreign currency risk

The Group mainly operates in the PRC, Hong Kong and the United Kingdom (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 2019 and 2018, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

	EUR RMB'000	Others RMB'000	Total RMB'000
As at 31 December 2019			
Trade and other receivables	53	999	1,052
Trade and other payables	(2,285)	(962)	(3,247)
	(2,232)	37	(2,195)
As at 31 December 2018			
Trade and other receivables	52	714	766
Trade and other payables	(719)	(1,268)	(1,987)
	(667)	(554)	(1,221)

As at 31 December 2019, if EUR had strengthened/weakened by 5% against RMB with all other variables held constant, the Group's net profit for the year would have been RMB93,000 lower/higher as a result of foreign exchange differences on translation of EUR denominated assets and liabilities stated above.

As at 31 December 2018, if EUR has strengthened/weakened by 5% against RMB with all other variables held constant, the Group's net loss for the year would have been RMB28,000 higher/lower as a result of foreign exchange differences on translation of EUR denominated assets and liabilities stated above.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Foreign currency risk (continued)

The Group has not entered into any financial instruments for hedging purpose for the years ended 31 December 2019 and 2018. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) Interest rate risk

As the Group has no significant interest-bearing assets except for cash and cash equivalents, the Group does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates.

The Group's interest-rate risk mainly arises from borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The interest rates and terms of repayments of borrowings are disclosed in Note 29.

As at 31 December 2019, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net profit for the year would have been RMB2,392,000 lower/higher as a result of higher/lower interest expenses on floating rate borrowings.

As at 31 December 2018, if the Group's interest rates on borrowings obtained at variable rates had been higher/lower by 5%, the net loss for the year would have been RMB863,000 higher/lower as a result of higher/lower interest expenses on floating rate borrowings.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2019 and 2018 is the carrying amounts as disclosed in Note 3.1. The objective of the Group's measures to manage credit risk is to control potential exposure of recoverability problem.

The Group's deposits and cash are placed with major financial institutions in Hong Kong, Taiwan and the PRC that are of high-credit quality. Therefore, the risk of default is considered to be low and ECL allowance for these deposits are insignificant.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

The Group has a certain concentration of credit risk and the details are as follows:

	As at 31 December	
	2019	2018
From the Group's largest customer	15%	13%
From the Group's five largest customers	50%	44%

The Group's major customers are well-known advertising agencies and the Group believes that they are reliable and of high credit quality. Credit risks and exposure are closely controlled and monitored on an on-going basis by management of the Group.

Impairment of financial assets

The Group's trade receivables are subject to the ECL model. While cash and cash equivalents and other financial assets at amortised cost are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(i) Trade receivables

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within the period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Impairment of financial assets (continued)

(i) Trade receivables *(continued)*

On that basis, the loss allowance as at 31 December 2019 and 2018 is determined as follows for trade receivables:

	Expected loss rate	Gross carrying amount RMB'000	Lifetime ECL allowance RMB'000	Net carrying amount RMB'000
As at 31 December 2019				
Collective assessment				
– Not yet past due	0.9%	122,272	1,100	121,172
– Within 1 year past due	1.2%	84,677	1,016	83,661
– Between 1 and 2 years past due	2.0%	2,248	45	2,203
– Between 2 and 3 years past due	6.0%	222	13	209
– Over 3 years past due	100.0%	348	348	–
Individual assessment	100.0%	4,372	4,372	–
		214,139	6,894	207,245
As at 31 December 2018				
Collective assessment				
– Not yet past due	1.3%	109,061	1,418	107,643
– Within 1 year past due	1.6%	81,307	1,301	80,006
– Between 1 and 2 years past due	2.6%	2,133	55	2,078
– Between 2 and 3 years past due	9.6%	542	52	490
– Over 3 years past due	100.0%	636	636	–
Individual assessment	100.0%	3,811	3,811	–
		197,490	7,273	190,217

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 3 years past due.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Impairment of financial assets (continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. In order to minimise the credit risk of other receivables, the management of the Group has designated a team responsible for determination of credit limits and credit approvals. The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience as well as current external information.

Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. If the credit risk of debt instruments are considered to be high, collateral are required before granting the debts to debtors. In these regards, the credit risk of other receivables are considered to be low. Thus, no loss allowance provision was recognised during the years ended 31 December 2019 and 2018.

Impairment on other receivables is measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime ECL.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(c) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains adequate cash inflows from operations and sufficient reserves of cash to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its liquidity requirements in the short and long term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the lenders choosing to exercise their rights. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Total contractual undiscounted cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019					
Trade and other payables	83,117	83,117	–	–	–
Borrowings	132,063	130,252	1,811	–	–
Lease liabilities	42,873	20,998	12,293	9,582	–
	258,053	234,367	14,104	9,582	–
As at 31 December 2018					
Trade and other payables	50,435	50,435	–	–	–
Borrowings	101,108	101,108	–	–	–
	151,543	151,543	–	–	–

Secured borrowings of RMB109,697,000 (2018: RMB64,060,000) with a repayment on demand clause are included in the "less than 1 year" time band in the above maturity analysis. Taking into account the Group's financial position, the management does not consider that it is probable that the lenders will exercise their discretionary rights to demand immediate repayment. The management believes that the term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.2 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

The maturity analysis of the Group's financial liabilities by expected repayment dates is summarised as follows. The amounts include interest payments computed using contractual rates.

	Total contractual undiscounted cash flows	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019					
Borrowings	142,441	87,376	20,730	10,126	24,209
As at 31 December 2018					
Borrowings	109,489	69,182	3,313	9,939	27,055

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total borrowings include borrowings and lease liabilities. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

The gearing ratios as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Total borrowings (Notes 27 and 29)	171,860	101,108
Less: Cash and cash equivalents (Note 22)	(42,581)	(17,918)
Net debt	129,279	83,190
Total equity	452,844	452,047
Total capital	582,123	535,237
Gearing ratio	22.2%	15.5%

The gearing ratio increased mainly due to the increase of lease liabilities.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

3.4 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at 31 December 2019 and 2018 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019				
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	549	549
As at 31 December 2018				
Financial assets at fair value through other comprehensive income				
– Unlisted equity investments	–	–	3,071	3,071

If one or more of the significant inputs in the valuation is not based on observable market data, the instrument is included in level 3.

The fair values of financial assets at fair value through other comprehensive income are determined using adjusted net asset method. The effects of unobservable inputs are not significant for equity investments.

3. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

3.4 Fair value estimation *(continued)*

The reconciliation of the carrying amounts of the Group's financial instruments classified within level 3 of the fair value hierarchy is as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Unlisted equity investments		
At 1 January	3,071	4,921
Acquisition	–	1,022
Losses recognised in other comprehensive income	(2,403)	(2,900)
Currency translation differences	(119)	28
At 31 December	549	3,071

There have been no transfers into or out of level 3 during the years ended 31 December 2019 and 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainties

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Notes 2.9 and 2.10. The recoverable amounts of CGU have been determined based on value in use calculations. These calculations require the use of estimates. In the opinion of the Company's directors, the recoverable amount of the CGU will not be lower than the carrying amount even if a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount occurs. Please refer to Note 17 for detailed information of impairment assessment of goodwill.

(b) Provision for ECL for trade and other receivables

The Group's management determines the provision for ECL of trade and other receivables on a forward-looking basis and the ECL are recognised from initial recognition of the assets. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. Other receivables is considered 12-month ECL. In making the judgment, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers, actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade and other receivables within the scope of ECL under IFRS 9 and credit losses in the periods in which such estimate has been changed.

Please refer to Notes 3.2(b) and 20 for detailed information of impairment for trade and other receivables.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical accounting judgements

(a) Deferred tax arising from investment properties measured at fair value

There is a rebuttable presumption that the carrying amount of the investment properties that is measured using the fair value model in IAS 40 "Investment Property" will be recovered entirely through sales. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. The management determines the investment properties are recovered through use and details of deferred tax liabilities are set out in Note 30.

5. SEGMENT INFORMATION

The chief operating decision-makers mainly include 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, impairment loss on interest in 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 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 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.

5. SEGMENT INFORMATION *(continued)*

(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 RMB'000	2018 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
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

5. SEGMENT INFORMATION *(continued)*

(a) Revenue *(continued)*

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 RMB'000	2018 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.

5. SEGMENT INFORMATION *(continued)*

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2019 and 2018 were set out as follows:

	Year ended 31 December	
	2019 RMB'000	2018 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 5(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)

	Depreciation RMB'000	Amortisation RMB'000	Finance expenses – net RMB'000
Year ended 31 December 2019			
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			
Reportable segment:			
– Print media and art platform	12,527	276	3,801
– Digital platform	562	12,289	(17)
	13,089	12,565	3,784

5. SEGMENT INFORMATION *(continued)*

(c) Total assets

	As at 31 December	
	2019 RMB'000	2018 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 were as follows:

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

5. SEGMENT INFORMATION *(continued)*

(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") are mainly in the PRC, Hong Kong and 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 RMB'000	2018 RMB'000
The PRC	254,058	191,626
Hong Kong	95,480	110,293
The UK	9,551	5,845
	359,089	307,764

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

	Year ended 31 December	
	2019 RMB'000	2018 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 which individually contributed over 10% of the Group's revenue for print media and art platform and digital platform segment was as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Customer A	58,326	55,036

6. OTHER INCOME

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
PRC government subsidies (i)	2,882	2,395
Compensation of operating profit guarantee (ii)	3,774	–
Others	333	453
	6,989	2,848

(i) PRC government subsidies represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

(ii) During the year ended 31 December 2019, the Group was entitled to receive a profit guarantee compensation amounting to RMB3,774,000 from Mr. Li Jian, a director of the Group in relation to an operating profit guarantee arrangement on a business unit of the Group provided by him. According to the arrangement, the Group has the right to be compensated with the shortfall between the target and operation profits of that business unit for the year ended 31 December 2019.

7. OTHER GAINS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Change in fair value of investment properties (Note 15)	260	790
Net gain on disposal of property, plant and equipment (Note 31(b))	–	95
Exchange differences	674	74
Net gain on modification of leases	69	–
	1,003	959

8. EXPENSES BY NATURE

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Cost of artworks sold	7,520	172
Employee benefit expenses (Note 9)	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 (Note 14)	14,145	13,201
Depreciation of right-of-use assets (Note 14)	16,802	–
Amortisation of intangible assets (Note 16)	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
ECL allowance for trade receivables recognised, net (Note 20)	(379)	292
Cost from restaurant operation	2,691	1,071
Impairment loss on goodwill (Note 17)	800	–
Other expenses	525	367
Total cost of sales, distribution and administrative expenses	441,274	474,897

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries, bonus and allowances	121,384	134,333
Retirement scheme contributions	22,645	26,570
Termination benefits	4,214	1,601
Employee share-based compensation	–	16
	148,243	162,520
Less: amount capitalised to software development in progress (Note 18)	(8,880)	(9,020)
	139,363	153,500

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2019 included four (2018: four) directors whose emoluments are reflected in the analysis shown in Note 39. The emoluments payable to the remaining one (2018: one) individual during the year ended 31 December 2019 were as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and allowances	1,309	1,309

The emoluments fall within the following band:

	Year ended 31 December	
	2019	2018
Emolument band: – HK$1,500,001 to HK$2,000,000	1	1

Saved as disclosed in Note 39(a), no director or these highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE EXPENSES – NET

	Year ended 31 December	
	2019 RMB'000	2018 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)

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(a) Subsidiaries

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The Company has indirect interests in the following subsidiaries, all of which are private companies with limited liability, particulars of which as at 31 December 2019 and 2018 are set out below:

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company as at 31 December 2019	2018	Direct/ Indirect	Principal activities
Guangzhou Xiandai Yidong Shuma Chuanbo Company Limited * (廣州現代移動數碼傳播有限公司)	(ii),(iii)	The PRC 23 May 1996	RMB10,000,000	70%	70%	Indirect	Provision of digital publishing business
Modern Media Company Limited ("MMCL")		Hong Kong 6 May 1998	HK$1,000,000	100%	100%	Indirect	Provision of advertising agency services
Guangzhou Modern Information Media Co., Ltd. * (廣州現代資訊傳播有限公司)	(ii),(iii)	The PRC 3 September 1999	RMB60,000,000	100%	100%	Indirect	Publication of magazines in the PRC, provision of advertising agency services, retail sales of imported books and planning of literary arts activities and exhibitions
City Howwhy Limited		Hong Kong 15 May 2000	HK$2	100%	100%	Indirect	Publication of magazines in Hong Kong
Modern Mobile Digital Media Company Limited		Hong Kong 4 December 2000	HK$2	70%	70%	Indirect	Provision of digital publishing business
Modern Media (Zhuhai) Technology Co., Ltd. * (現代傳播(珠海)科技有限公司)	(i)	The PRC 13 April 2006	HK$68,000,000	100%	100%	Indirect	Research and development, provision of advertising and consultancy service
Guangzhou Modern Books Co., Ltd. * (廣州現代圖書有限公司)	(ii),(iii)	The PRC 24 November 2004	RMB5,010,000	100%	100%	Indirect	Publication of magazines in the PRC, design and selling of advertising spaces
Shanghai Senyin Information Technology Co., Ltd. * (上海森音信息技術有限公司)	(ii),(iii)	The PRC 19 October 2005	RMB1,000,000	70%	70%	Indirect	Provision of website development business

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(a) Subsidiaries *(continued)*

Company name	Note	Place of incorporation (and operation) and date of incorporation	Issued and paid up capital	Effective interests held by the Company as at 31 December 2019	2018	Direct/ Indirect	Principal activities
Yazhimei Information Consultation (Shenzhen) Co., Ltd. * (雅致美信息諮詢(深圳)有限公司)	(i)	The PRC 16 August 2007	HK$2,000,000	70%	70%	Indirect	Provision of management and consultation services
Linkchic (Beijing) Network Technology Co., Ltd. * (每城美客(北京) 網絡科技有限公司) ("Linkchic")****	(ii)	The PRC 21 July 2010	RMB1,600,000	70%	70%	Indirect	Provision of website development business
Shanghai Yizhi Advertising Co., Ltd. * (上海意致廣告有限公司)	(ii)	The PRC 22 February 2012	RMB500,000	70%	70%	Indirect	Provision of advertising agency services
Beijing Yazhimei Advertising Co., Ltd. * (北京雅致美廣告有限公司)	(ii)	The PRC 14 January 2013	RMB500,000	70%	70%	Indirect	Provision of advertising agency services
Kashi Yazhimei Culture Media Co., Ltd. * (喀什雅致美文化傳播有限公司)	(ii)	The PRC 17 June 2014	RMB30,000,000	100%	100%	Indirect	Provision of advertising agency services
Modern Art International Trading Ltd.		Hong Kong 10 August 2015	HK$1,000,000	100%	100%	Indirect	Artwork trading
Shanghai Play Bear Commerce Co., Ltd. * (上海頑熊商貿有限公司)	(ii)	The PRC 19 January 2015	RMB2,000,000	60%	60%	Indirect	Provision of selling toys and groceries
Beijing Camart Technology Co., Ltd.* (北京拍藏科技有限公司) ("Beijing Camart")**	(ii)	The PRC 27 February 2015	RMB1,000,000	70%	70%	Indirect	Online auction of artworks
Modern Digital Holdings Limited ("MDHL")		Cayman Islands 4 February 2015	HK$14,286	70%	70%	Indirect	Investment holding
Shanghai Xinxuefen Culture Media Co., Ltd. * (上海心學分文化傳播有限公司) ("Shanghai Xinxuefen")***	(ii),(iii)	The PRC 20 March 2018	RMB10,000,000	65%	65%	Indirect	Publication of magazines in the PRC, provision of advertising agency and event management services
Shanghai Shangzhao E-Commerce Co., Ltd. *(上海尚照電子商務有限公司) ("Shanghai Shangzhao") *****		The PRC 20 November 2015	RMB3,336,400	51%	–	Indirect	Operation of galleries and café shops

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(a) Subsidiaries *(continued)*

* The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

** As at 31 December 2018, pursuant to the shareholding entrustment agreement dated 27 March 2015, Mr. Shao is entrusted as registered shareholder of the investment on behalf of the Group (Note 36(g)).

*** During the year ended 31 December 2018, the Group established Shanghai Xinxuefen with an independent third party (the "Investor") for which the Group and the Investor injected RMB6,500,000 and RMB10,000,000 for 65% and 35% of the total issued share capital of Shanghai Xinxuefen respectively.

**** Linkchic was deregistered on 17 January 2020.

***** During the year ended 31 December 2019, the Group subscribed 51% equity interest of Shanghai Shangzhao from the independent third parties (Note 34).

(i) These companies are established in the PRC as wholly foreign-owned enterprises.

(ii) The equity interests of these entities are held by PRC nationals and/or entities on behalf of the Group.

(iii) Historically, PRC rules and regulations restricted foreign ownership of companies in certain industries. The Group has been conducting its operations in these industries through subsidiaries controlled by contractual agreements which are ultimately wholly-owned by Mr. Shao.

As of the date of these consolidated financial statements, the Group does not have direct equity interests in these PRC Operational Entities (as defined in the Prospectus and the announcement of the Company dated 21 September 2011). However, the Group has implemented a series of Contractual Arrangements (as defined in the Prospectus and the announcement of the Company dated 21 September 2011) with Mr. Shao and the PRC Operational Entities such that:

- The Group is entitled to enjoy all the economic benefits of the PRC Operational Entities. All the dividends, capital bonus or any other assets distributed to Mr. Shao by the respective PRC Operational Entities are required to transfer to the Group at nil consideration within three working days after such distribution;

- The Group is granted exclusive right to acquire, to the extent permissible under PRC laws, equity interests in the PRC Operational Entities at nil consideration or for a nominal price; and

- The Group is authorised to exercise its power over to govern the financial and operating policies in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities.

As a result of the above Contractual Arrangements, the Group has effective control over the financial and operational policies of the PRC Operational Entities and derives economic benefits from the operations of the PRC Operational Entities. Accordingly, the financial results and positions of the PRC Operational Entities have been consolidated into the Group since their respective dates of acquisition/establishment.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(a) Subsidiaries *(continued)*

Set out below is the summarised financial information, before intragroup eliminations, for Modern Digital Holdings Limited and its subsidiaries, a subgroup with material non-controlling interests (NCI):

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Proportion of ownership interests and voting rights held by the NCI	30%	30%
Current assets	194,031	140,911
Non-current assets	82,098	76,496
Current liabilities	(87,247)	(48,456)
Non-current liabilities	(6,985)	–
Net assets	181,897	168,951
Carrying amount of NCI	51,687	48,616

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	183,089	153,651
Total expenses	(168,919)	(144,614)
Profit for the year	14,170	9,037
Other comprehensive (loss)/income for the year	(1,224)	3,584
Total comprehensive income for the year	12,946	12,621
Profit attributable to NCI for the year	3,693	681
Total comprehensive income attributable to NCI for the year	3,071	1,653
Net cash flows from operating activities	45,647	28,628
Net cash flows used in investing activities	(61,670)	(13,714)
Net cash flows from/(used in) financing activities	21,057	(37,479)
Net increase/(decrease) in cash and cash equivalents	5,034	(22,565)

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Carrying amounts of:		
– Associates	2,350	4,106
– A joint venture	–	276
	2,350	4,382

The amounts recognised in the consolidated statement of profit or loss and other comprehensive income were as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Share of losses of:		
– Associates	733	1,677
– A joint venture	276	224
	1,009	1,901
Impairment losses of associates	1,084	3,698
Impairment losses of a joint venture	530	–
	2,623	5,599

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interests in associates

	2019 RMB'000	2018 RMB'000
Investments in associates		
At 1 January	1,874	6,224
Share of post-tax losses	(416)	(1,677)
Impairment loss	(400)	(2,698)
Currency translation differences	–	25
At 31 December	1,058	1,874
Advance to an associate (Note)	3,232	3,232
Share at post-tax losses	(317)	–
Impairment loss	(1,684)	(1,000)
Currency translation differences	61	–
	1,292	2,232
	2,350	4,106

Note: Advance to an associate included in investments 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 the associate and is therefore shown in the consolidated statement of financial position as non-current.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interests in associates *(continued)*

The particulars of the associates of the Group, which are unlisted, are set out as follows:

Company name	Place of business/country of incorporation	Paid-up capital	Attributable equity interests to the Group as at 31 December 2019	2018	Principal activities
Chongqing Yubao Culture Media Co., Ltd. * (重慶渝報文化傳播有限公司) ("Chongqing Yubao")	Chongqing, the PRC	RMB10,000,000	40%	40%	Wholesaling and retailing, provision of advertising, publication and media service
Shanghai Youxian Information Technology Co., Ltd. * (上海友閑信息科技有限公司) ("Shanghai Youxian")	Shanghai, the PRC	RMB1,000,000	20%	20%	Online trading of the second-hand concert or opera tickets
Photo Shanghai Company Limited (映像上海有限公司) ("Photo Shanghai")	Hong Kong	HK$100,000	19%	19%	Provision of photos exhibition service

* The English translation of the Company names is for reference only. The official names of the companies established in the PRC are in Chinese.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interests in associates *(continued)*

The Group retains significant influence over Photo Shanghai through the power to nominate representative on their board.

As at 31 December 2019, impairment tests are performed by comparing the attributable carrying amount of the interests in associates with the respective recoverable amounts. The recoverable amounts are based on estimated discounted cash flow. Due to the decline in the general economic and market conditions, impairment loss of RMB1,084,000 (2018: RMB3,698,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income.

Set out below is the summarised financial information for the significant associate, Chongqing Yubao, which is accounted for using the equity method.

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Current assets:		
– Cash and cash equivalents	9	165
– Other current assets (excluding cash and cash equivalents)	4,249	5,400
Total current assets	4,258	5,565
Current liabilities	(1,659)	(967)
Non-current assets	47	87
Net assets	2,646	4,685

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interests in associates *(continued)*

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Revenue	50	197
Cost of sales	(394)	(1,112)
Loss before income tax	(1,039)	(4,145)
Income tax expense	–	–
Loss and total comprehensive loss for the year	(1,039)	(4,145)
Dividend received from associate	–	–

The information of Shanghai Youxian and Photo Shanghai, which are not material associates of the Group, is as below:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Aggregate carrying amount of individually immaterial associates	–	–
Aggregate amount of the Group's share of:		
– Loss and total comprehensive loss for the year	(317)	(19)

There is no contingent liability or other commitment relating to the Group's interests in its associates.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interest in a joint venture

	2019 RMB'000	2018 RMB'000
Investment in a joint venture		
At 1 January	276	–
Acquisition	–	500
Share of post-tax losses	(276)	(224)
At 31 December	–	276
Advance to a joint venture	530	–
Impairment loss	(530)	–
	–	–
	–	276

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interest in a joint venture *(continued)*

The particulars of the joint venture of the Group are set out as below:

Company name	Place of business/ country of incorporation	Paid-up capital	Attributable equity interests to the Group as at 31 December		Principal activities
			2019	2018	
Shanghai Wanyao Yizhi Cultural Development Co., Ltd. * ("Shanghai Wanyao Yizhi") (上海萬耀意致文化發展有限公司)	Shanghai, the PRC	RMB1,000,000	50%	50%	Provision of event management services

* The English translation of the Company name is for reference only. The official name of the company established in the PRC is in Chinese.

On 8 February 2018, the Group entered into an agreement with an independent third party in relation to the establishment of Shanghai Wanyao Yizhi. Each party holds 50% equity interest of Shanghai Wanyao Yizhi respectively and RMB500,000 was contributed by the Group. The Group accounts for the investment in Shanghai Wanyao Yizhi as a joint venture as the Group has joint control over the operating and financial decisions of Shanghai Wanyao Yizhi.

11. SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(continued)*

(b) Investments accounted for using the equity method *(continued)*

Interest in a joint venture *(continued)*

During the year ended 31 December 2019, impairment loss of RMB530,000 (2018: Nil) has been recognised in the consolidated statement of profit or loss and other comprehensive income to fully impair the Group's interest in Shanghai Wanyao Yizhi as the directors of the Company considered that no future cash flows would be generated from such interest which are of no market value.

There is no contingent liability or other commitment relating to the Group's interest in its joint venture.

The information of Shanghai Wanyao Yizhi, which is not material to the Group, is as below:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Carrying amount of individually immaterial joint venture	–	276
Amount of the Group's share of: – Loss and total comprehensive loss for the year	(276)	(224)

12. INCOME TAX EXPENSE

	Year ended 31 December	
	2019 RMB'000	2018 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 (Note 30)	65	184
Income tax expense	1,507	2,961

The difference between the actual income tax charge in the consolidated statement of profit or loss and other comprehensive income and the amounts which would result from applying the enacted tax rate to profit/(loss) before income tax can be reconciled as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit/(Loss) before income tax	3,714	(31,509)
Tax calculated at statutory tax rate of 25%	929	(7,877)
Tax effect of:		
– Effect of differential tax rate on income	1,401	953
– Expenses not deductible for tax purpose	1,794	3,624
– Income not subject to tax	(294)	(2,609)
– Utilisation of previously unrecognised tax losses	(8,126)	(2,736)
– Tax losses for which no deferred tax assets recognised	4,501	8,841
– Income tax on dividends and service charge	687	921
– Adjustment in respect of prior years	104	583
– Tax effect of associates and joint venture's results and impairment loss	656	1,400
– Tax effect of two-tiered profits tax rates regime	(145)	(139)
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.

12. INCOME TAX EXPENSE *(continued)*

(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 MMCL, 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 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.

13. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is 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
Profit/(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) (Note 24)	(5,376)	(5,680)
Weighted average number of treasury shares held (thousands) (Notes 23(b) and 24)	(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 no dilutive events existed during years ended 31 December 2019 and 2018.

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings held for own use RMB'000	Right-of-use assets RMB'000	Leasehold improvements RMB'000	Office equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018							
Cost	125,545	–	62,626	34,763	29,723	16,440	269,097
Accumulated depreciation	(15,781)	–	(45,541)	(30,619)	(13,514)	(13,908)	(119,363)
Net book amount	109,764	–	17,085	4,144	16,209	2,532	149,734
Year ended 31 December 2018							
Opening net book amount	109,764	–	17,085	4,144	16,209	2,532	149,734
Additions	23,636	–	7,603	1,220	881	2,596	35,936
Disposals (Note 31(b))	–	–	–	(2)	(41)	(171)	(214)
Depreciation charge (Note 8)	(2,749)	–	(5,000)	(1,980)	(2,639)	(833)	(13,201)
Currency translation differences	4,383	–	223	16	728	75	5,425
Closing net book amount	135,034	–	19,911	3,398	15,138	4,199	177,680
At 31 December 2018 and 1 January 2019							
Cost	153,954	–	70,629	36,021	31,434	15,669	307,707
Accumulated depreciation	(18,920)	–	(50,718)	(32,623)	(16,296)	(11,470)	(130,027)
Net book amount as at 31 December 2018	135,034	–	19,911	3,398	15,138	4,199	177,680
Adjustment from the adoption of IFRS 16 (Note 2.1.1)	–	21,900	–	–	–	–	21,900
Net book amount as at 1 January 2019, restated	135,034	21,900	19,911	3,398	15,138	4,199	199,580
Year ended 31 December 2019							
Opening net book amount, restated	135,034	21,900	19,911	3,398	15,138	4,199	199,580
Additions	1,126	33,172	2,426	403	449	20	37,596
Acquisition of a subsidiary (Note 34)	–	4,105	–	487	3	–	4,595
Disposals (Note 31(b))	–	–	–	(63)	(11)	(17)	(91)
Modification of lease terms	–	(3,074)	–	–	–	–	(3,074)
Depreciation charge (Note 8)	(3,081)	(16,802)	(5,962)	(1,012)	(2,948)	(1,142)	(30,947)
Transfer to inventory	–	–	–	–	(6,871)	–	(6,871)
Currency translation differences	1,563	–	69	5	114	20	1,771
Closing net book amount	134,642	39,301	16,444	3,218	5,874	3,080	202,559
At 31 December 2019							
Cost	156,818	55,001	73,171	36,435	17,784	15,427	354,636
Accumulated depreciation	(22,176)	(15,700)	(56,727)	(33,217)	(11,910)	(12,347)	(152,077)
Net book amount	134,642	39,301	16,444	3,218	5,874	3,080	202,559

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

As at 31 December 2019, certain buildings in the PRC and Hong Kong with carrying amounts of RMB99,920,000 (2018: RMB84,073,000) have been pledged as collaterals for the Group's bank borrowings, amounting to RMB76,697,000 (2018: RMB64,060,000) (Note 29(a)).

As at 31 December 2019, all right-of-use assets are buildings (Note 27).

During the year ended 31 December 2019, two leases were early terminated, resulting in a decrease in right-of-use assets by RMB3,074,000.

Depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	30,682	12,562
Distribution expenses	91	240
Cost of sales	174	399
	30,947	13,201

15. 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

The Group has used presumption that the carrying amount of the investment properties would be recovered through use which is held within a business model to hold for rental, provision for deferred tax is made on revaluation of investment properties using income tax rate.

As at 31 December 2019, the investment properties in the PRC with carrying amounts of RMB37,640,000 (2018: RMB37,380,000) have been pledged as collaterals for the Group's bank borrowings, amounting to RMB33,000,000 (2018: RMB23,000,000) (Note 29(a)).

The Group's investment properties are revalued at 31 December 2019 by independent professionally qualified valuer, DTZ Debenham Tie Leung Shenzhen Valuation Company Limited, who has the recent experience in the location and category of properties being valued. The fair value measurement is based on the properties' highest and best use, which does not differ from their actual use.

The fair value of the Group's investment properties categorised under Level 3 of fair value hierarchy are determined using the direct capitalisation method by capitalising the rental income derived from the existing tenancies with due provision for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market monthly rental rate and factors adjustment, and negatively correlated to capitalisation rate.

15. INVESTMENT PROPERTIES *(continued)*

	Valuation techniques	Significant unobservable inputs	Range As at 31 December	
			2019	2018
Investment properties	Direct capitalisation method	Market monthly rental rate taking into account of individual factors such as location, environment, age, accessibility, floor, size, etc. (RMB/sq.m)	215 – 222	213 – 224
		Capitalisation rate of reversionary income	6.0% – 6.5%	6.0% – 6.5%

Relationships of unobservable inputs to fair value are as follows:

- The higher the monthly rental rate per square meter, the higher the fair value.
- The higher the capitalisation rate, the lower the fair value.

There have been no transfer into or out of Level 3 during the year ended 31 December 2019 (2018: Nil).

Unrealised gain on changes in fair value of RMB260,000 (2018: RMB790,000) is recognised in the consolidated statement of profit or loss and other comprehensive income for the investment properties held at the end of the reporting period.

16. INTANGIBLE ASSETS

	Publishing rights RMB'000	Customer relationships RMB'000	Trademarks, domains and IT platforms RMB'000	Software and mobile applications RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018						
Cost	3,000	10,382	14,335	68,951	4,320	100,988
Accumulated amortisation	(3,000)	(10,382)	(5,408)	(32,715)	(1,527)	(53,032)
Net book amount	–	–	8,927	36,236	2,793	47,956
Year ended 31 December 2018						
Opening net book amount	–	–	8,927	36,236	2,793	47,956
Transferred from software development in progress (Note 18)	–	–	–	12,246	–	12,246
Amortisation charge (Note 8)	–	–	(1,245)	(10,734)	(586)	(12,565)
Currency translation differences	–	–	326	–	93	419
Closing net book amount	–	–	8,008	37,748	2,300	48,056
At 31 December 2018 and 1 January 2019						
Cost	3,000	10,382	14,705	83,922	4,434	116,443
Accumulated amortisation	(3,000)	(10,382)	(6,697)	(46,174)	(2,134)	(68,387)
Net book amount	–	–	8,008	37,748	2,300	48,056
Year ended 31 December 2019						
Opening net book amount	–	–	8,008	37,748	2,300	48,056
Transferred from software development in progress (Note 18)	–	–	–	8,986	–	8,986
Acquisition of a subsidiary (Note 34)	–	–	12,801	–	–	12,801
Transferred from prepayment	–	–	–	–	3,296	3,296
Amortisation charge (Note 8)	–	–	(1,274)	(12,949)	(249)	(14,472)
Currency translation differences	–	–	70	–	29	99
Closing net book amount	–	–	19,605	33,785	5,376	58,766
At 31 December 2019						
Cost	3,000	10,382	27,596	92,980	7,781	141,739
Accumulated amortisation	(3,000)	(10,382)	(7,991)	(59,195)	(2,405)	(82,973)
Net book amount	–	–	19,605	33,785	5,376	58,766

16. INTANGIBLE ASSETS *(continued)*

The amortisation of intangible assets has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Administrative expenses	13,298	10,972
Cost of sales	1,174	1,593
	14,472	12,565

17. GOODWILL

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	32,041	32,041
Acquisition of a subsidiary (Note 34)	11,850	–
Impairment losses	(800)	–
At 31 December	43,091	32,041

Goodwill is allocated to the Group's CGU identified according to country of operation and operating segment. A segment level summary of goodwill is presented below:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Digital platform – the PRC		
– Digital media business	30,032	30,032
Print media and art platform – the PRC		
– Art photography business	11,850	–
– Art kitchen business	1,209	2,009
	43,091	32,041

The recoverable amounts of goodwill are determined based on value in use calculations. These calculations used pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Group expected cash flow beyond the five-year period would be similar to that of the fifth year based on existing scale of operation. Cash flows beyond the five-year period are extrapolated using 3% growth rates.

17. GOODWILL *(continued)*

The key assumptions used for value in use calculations as at 31 December 2019 and 2018 are as follows:

	Digital media business	Art kitchen business	Art photography business
As at 31 December 2019			
Average annual growth rate of revenue during the next five-year period	20%	18%	25%
Gross margin (% of revenue)	55%	49%	52%
Discount rate	20.7%	14.5%	19.0%
Long term growth rate	3%	3%	3%
As at 31 December 2018			
Average annual growth rate of revenue during the next five-year period	21%	14%	N/A
Gross margin (% of revenue)	59%	55%	N/A
Discount rate	20.6%	13.9%	N/A
Long term growth rate	3%	3%	N/A

Management determines budgeted gross margin based on past performance and its expectations of market development. The discount rates used are pre-tax and reflect specific risks relating to the relevant business.

As at 31 December 2019, due to the lower operation level of the art kitchen business, the carrying amount is below its recoverable amount by RMB800,000 (2018: Nil). Accordingly, impairment loss of RMB800,000 (2018: Nil) was recognised and included under “administrative expenses” in the consolidated statement of profit or loss sand other comprehensive income for the year ended 31 December 2019.

18. SOFTWARE DEVELOPMENT IN PROGRESS

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	2,991	6,217
Expenditure incurred on software development	8,880	9,020
Transferred to intangible assets (Note 16)	(8,986)	(12,246)
At 31 December	2,885	2,991

19. 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 RMB'000	2018 RMB'000
Unlisted equity investments at fair value	549	3,071

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

Notes to the Consolidated Financial Statements *(continued)*

For the year ended 31 December 2019

20. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2019 RMB'000	2018 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.

20. TRADE AND OTHER RECEIVABLES *(continued)*

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

	As at 31 December	
	2019 RMB'000	2018 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 prescribed in IFRS 9 as disclosed in Note 3.2(b). Movements in ECL allowance of trade receivables were as follows:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
At 1 January	7,273	6,981
ECL allowance recognised (Note 8)	561	292
ECL allowance reversed (Note 8)	(940)	–
At 31 December	6,894	7,273

(c) The amount due from a related party (Note 36(c)) and advances and loans to employees are unsecured, interest-free and repayable on demand.

20. TRADE AND OTHER RECEIVABLES (continued)

(d) The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	249,324	238,538
HK$	40,529	21,890
United States dollar ("USD")	1,314	1,164
Euro ("EUR")	569	2,063
GBP	7,823	4,260
Others	2,181	68
	301,740	267,983

21. INVENTORIES

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

22. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Cash at bank and in hand	42,581	17,918

All cash at bank are deposits with original maturity within 3 months. The Group earns interest on cash at bank at floating bank deposit rates.

The carrying amounts of the Group's cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	40,409	16,144
HK$	1,506	1,738
Others	666	36
	42,581	17,918

23. SHARE CAPITAL

(a) Share capital

Details of the authorised and issued share capital of the Company are set out as follows:

	Number of shares (thousands)	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.01 each:		
At 31 December 2019 and 2018	8,000,000	80,000

	Number of shares (thousands)	Share capital RMB'000
Ordinary shares, issued and fully paid:		
At 31 December 2019 and 2018	438,353	3,853

23. SHARE CAPITAL *(continued)*

(b) Treasury shares

During the year ended 31 December 2019, upon the expiry of the Company's Share Award Scheme, 6,359,000 unawarded shares held for the Share Award Scheme were transferred to treasury shares. As at 31 December 2019, 6,359,000 unawarded shares held in treasury and the aggregate price of the treasury shares were deducted from equity as treasury shares amounting to RMB6,983,000.

24. SHARE-BASED COMPENSATION

On 3 December 2009, the Board of Directors of the Company (the "Board") approved the Share Award Scheme (the "Share Award Scheme") under which shares of the Company (the "Awarded Shares") may be awarded to eligible participants, including without limitation employees of the Group, directors of the Company and its subsidiaries in accordance with the provisions of the Share Award Scheme. The maximum number of Awarded Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Award Scheme and any other share option scheme of the Group shall not in aggregate exceed 30% of the issued share capital (the "Issued Share Capital") of the Company from time to time.

The total number of Awarded Shares which may be issued upon the exercise of all options to be granted under the Share Award Scheme and any other share option schemes of the Company as may from time to time be adopted by the Company as permitted under the Listing Rules initially shall not, in aggregate, exceed 10% of the Issued Share Capital as at the date of adoption of the Share Award Scheme (and thereafter, if refreshed, shall not exceed 10% of the Issued Share Capital as at the date of approval of the refreshed limit by the Shareholders).

The total number of Awarded Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Awarded Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Pursuant to the Share Award Scheme, the Remuneration Committee of the Company shall select the eligible participants and determine the number of Awarded Shares to be awarded. Relevant number of shares awarded will be purchased by the controlled special purpose entity, as administered by the trustee of the Share Award Scheme, from the market at the cost of the Company and be held until they are vested in accordance with the rules of the Share Award Scheme.

Upon adoption of the Share Award Scheme, the Board also resolved to provide a total amount not exceeding HK$10 million to the controlled special purpose entity for the purchase of the Awarded Shares to be awarded to certain current employees of the Group as a recognition of their contributions to the Group and an incentive to retain them for the continual operation and development of the Group.

24. SHARE-BASED COMPENSATION *(continued)*

The Share Award Scheme shall be effective from 7 December 2009 for a term of ten years and shall continue in full force unless sooner terminated as determined by the Board provided that such termination shall not affect any subsisting rights of any eligible participants under the Share Award Scheme.

During the year ended 31 December 2018, 50,000 shares were awarded to an eligible participant under the Share Award Scheme. These awarded shares were vested immediately and the share based-payment expense of RMB16,000 was charged to profit or loss for the year ended 31 December 2018 based on the fair value of shares at grant date. No shares was awarded or vested for the year ended 31 December 2019.

On 6 December 2019, the Share Award Scheme was expired. Pursuant to the board's resolution dated 18 December 2019, it was ratified and resolved that the Share Award Scheme would not be renewed and the remaining 6,359,000 unawarded shares would be held by a trust company. Those remaining shares have been transferred to the Company's treasury shares.

Movements in shares under the Company's Share Award Scheme were as follows:

	Year ended 31 December			
	2019		2018	
	Number of shares held	Value RMB'000	Number of shares held	Value RMB'000
At 1 January	5,647,000	6,793	5,697,000	6,809
Shares purchased during the year	712,000	190	–	–
Shares vested during the year	–	–	(50,000)	(16)
Transfer to treasury shares	(6,359,000)	(6,983)	–	–
At 31 December	–	–	5,647,000	6,793

25. RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) 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).

25. RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves on the consolidated statement of changes in equity

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed; the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Statutory surplus reserves

In accordance with the relevant laws and regulations in the PRC and the articles of association of the companies incorporated in the PRC of the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve before distributing the net profit. When the balance of the statutory surplus reserve reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities. For the year ended 31 December 2019, RMB2,930,000 (2018: RMB1,558,000) were appropriated to the statutory surplus reserve from net profits of certain PRC subsidiaries.

(iii) Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC which are dealt with in accordance with the accounting policy as set out in Note 2.6.

(iv) Other reserves

Other reserves comprise (i) the aggregate amount of paid-in capital of the PRC Operational Entities after elimination of investments in subsidiaries; and (ii) the difference between the consideration paid/received for the acquisition/dilution of non-controlling interests and the carrying amount of non-controlling interests at the transaction date, less the foreign exchange movements on translation of those subsidiaries attributable to the non-controlling interests.

(v) Property revaluation reserve

Revaluation reserve arises from transfer of owner-occupied properties to investment properties. The property revaluation reserve of the Group is not distributable.

(vi) Fair value reserve (non-recycling)

The Group has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income, as explained in Note 2.11. These changes are accumulated within the "fair value reserve (non-recycling)" within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

26. TRADE AND OTHER PAYABLES

	As at 31 December	
	2019 RMB'000	2018 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 (c)	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 34)	9,000	–
– Amount due to a related party (d) (Note 36(d))	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 RMB'000	2018 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 consist of value-added tax payables, surtax payables and related surcharges, and individual income tax payables.

(c) Accrued expenses mainly represents accrued advertising production expenses, accrued license fee, accrued office expenses and accrued marketing and promotion expenses.

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

26. TRADE AND OTHER PAYABLES *(continued)*

(e) As at 31 December 2019 and 2018, trade and other payables are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	79,853	48,750
HK$	5,169	3,817
USD	860	1,412
EUR	2,285	823
GBP	1,609	2,426
Others	26	107
	89,802	57,335

27. 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.

28. CONTRACT LIABILITIES

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Contract liabilities arising from billings in advance of performance:		
– Advertising income	5,530	12,002
– Circulation and subscription income	977	765
– Production, event and service income	2,861	2,141
	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.

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

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

(b) As at 31 December 2019 and 2018, contract liabilities are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	9,052	14,611
HK$	316	297
	9,368	14,908

29. BORROWINGS

	As at 31 December	
	2019 RMB'000	2018 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) (Notes 14 and 15), 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.

29. BORROWINGS *(continued)*

(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 RMB'000	2018 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 Effective interest rate	RMB'000	2018 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

(e) The Group's borrowings are denominated in the following currencies:

	As at 31 December	
	2019 RMB'000	2018 RMB'000
RMB	38,000	23,000
HK$	93,790	78,108
	131,790	101,108

30. DEFERRED INCOME TAX ASSETS AND LIABILITIES

Reconciliation to the consolidated statement of financial position:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Deferred income tax assets	885	835
Deferred income tax liabilities	(10,365)	(7,020)

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	**Tax losses to be carried forward** RMB'000	**Depreciation in excess of the related depreciation allowances** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2018	63	92	889	1,044
Currency translation differences	21	–	–	21
(Charged)/Credited to profit or loss	(84)	(92)	12	(164)
At 31 December 2018 and 1 January 2019	–	–	901	901
Charged to profit or loss	–	–	(16)	(16)
At 31 December 2019	–	–	885	885

The Group has estimated tax losses arising in Hong Kong of approximately RMB1,067,000 (2018: RMB543,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has estimated tax losses arising in the PRC of approximately RMB84,044,000 (2018: RMB88,386,000) that will expire five years after the relevant accounting year end for offsetting against future taxable profits of the companies in which the losses arose.

In accordance with the accounting policy set out in Note 2.19, the Group has not recognised deferred tax assets arising in Hong Kong of approximately RMB176,000 (2018: RMB90,000) and deferred tax assets arising in the PRC of approximately RMB21,011,000 (2018: RMB22,347,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdictions and entities.

30. DEFERRED INCOME TAX ASSETS AND LIABILITIES *(continued)*

As at 31 December 2019, the Group has deductible temporary difference in relation to ECL allowance for trade receivables of RMB2,524,000 (2018: RMB3,462,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax liabilities	**Depreciation allowances in excess of the related depreciation** RMB'000	**Revaluation of investment properties** RMB'000	**Fair value adjustment on business combination** RMB'000	**Total** RMB'000
At 1 January 2018	1,281	5,701	–	6,982
Currency translation differences	84	–	–	84
(Credited)/Charged to profit or loss	(178)	198	–	20
At 31 December 2018 and 1 January 2019	1,187	5,899	–	7,086
Acquisition of a subsidiary (Note 34)	–	–	3,201	3,201
Currency translation differences	29	–	–	29
(Credited)/Charged to profit or loss	(16)	65	–	49
At 31 December 2019	1,200	5,964	3,201	10,365

As at 31 December 2019, temporary differences relating to the undistributed profits of subsidiaries amounted to approximately RMB35,028,000 (2018: RMB34,255,000). Deferred tax liabilities of approximately RMB1,751,000 (2018: RMB1,713,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will be reinvested in their operation rather than remitting them to the Company in the foreseeable future.

The Group's investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sales. The Group has measured the deferred tax relating to the temporary differences of these investment properties using the tax rates enacted or substantively enacted at the end of the reporting periods.

31. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of loss before income tax to net cash generated from operations

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Profit/(Loss) before income tax	3,714	(31,509)
Adjustments for:		
Depreciation of owned assets and right-of-use assets (Note 14)	30,947	13,201
Amortisation of intangible assets (Note 16)	14,472	12,565
ECL allowance for trade receivables, net (Note 20)	(379)	292
Finance income (Note 10)	(34)	(126)
Finance expenses (Note 10)	6,480	3,910
Share of losses of associates (Note 11(b))	733	1,677
Share of losses of a joint venture (Note 11(b))	276	224
Impairment loss on interests in associates (Note 11(b))	1,084	3,698
Impairment loss on interest in a joint venture (Note 11(b))	530	–
Net gain on disposal of property, plant and equipment (Note 7)	–	(95)
Change in fair value of investment properties (Note 15)	(260)	(790)
Employee share-based compensation	–	16
Impairment of goodwill	800	–
Net gain on modification of leases	(69)	–
Changes in working capital:		
(Increase)/Decrease in trade and other receivables	(21,626)	10,606
Decrease/(Increase) in inventories	6,159	(13,862)
Increase in trade and other payables	10,993	7,768
Decrease in contract liabilities	(5,540)	(1,544)
Cash generated from operations	48,280	6,031

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprised:

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Net book amount (Note 14)	91	214
Net gain on disposal of property, plant and equipment (Note 7)	–	95
Proceeds from disposal of property, plant and equipment	91	309

32. CONTINGENCIES

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

33. COMMITMENTS

(a) Capital commitments

The Group has the following capital commitments:

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

33. COMMITMENTS *(continued)*

(b) Lease commitments *(continued)*

As lessor

The Group leases its investment properties (Note 15) 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 RMB'000	2018 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 RMB'000	2018 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

34. 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

34. ACQUISITION OF A SUBSIDIARY THROUGH BUSINESS ACQUISITION *(continued)*

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.

Included in the profit for the year ended 31 December 2019 was the loss of RMB3,645,000 attributable to the additional business generated by Shanghai Shangzhao Group. Revenue included RMB2,851,000 in respect of Shanghai Shangzhao Group.

If the Acquisition had occurred on 1 January 2019, the Group's revenue would have been increased by RMB3,282,000 and profit for the year would have been decreased by RMB7,346,000 for the year ended 31 December 2019. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Borrowings and interest payable RMB'000 (Note)	Lease liabilities RMB'000	Total RMB'000
At 1 January 2018	96,144	–	96,144
Cash-flows:			
– Repayments	(35,436)	–	(35,436)
– Proceeds	36,503	–	36,503
– Interests paid	(3,910)	–	(3,910)
Non-cash:			
– Interests accrued	3,910	–	3,910
– Exchange adjustments	3,897	–	3,897
At 31 December 2018	101,108	–	101,108
Adjustment from the adoption of IFRS 16 (Note 2.1.1)	–	21,900	21,900
At 1 January 2019, restated	101,108	21,900	123,008
Cash-flows:			
– Repayments	(6,224)	–	(6,224)
– Proceeds	35,225	–	35,225
– Capital element of lease rentals paid	–	(16,213)	(16,213)
– Interest element of lease rentals paid	–	(1,780)	(1,780)
– Interests paid	(4,428)	–	(4,428)
Non-cash:			
– Interests accrued	4,700	1,780	6,480
– Entering into new leases	–	33,172	33,172
– Acquisition of a subsidiary	–	4,354	4,354
– Modification of lease terms	–	(3,143)	(3,143)
– Exchange adjustments	1,409	–	1,409
As at 31 December 2019	131,790	40,070	171,860

As at 31 December 2019, the carrying amount of interest payable included in "amount due to a related party" under trade and other payables is RMB272,000 (2018: Nil).

36. RELATED PARTY TRANSACTIONS

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2019 and 2018, and balances arising from related party transactions as at 31 December 2019 and 2018.

(a) Name and relationship with related parties

Name of related parties	Relationship with the Group
Mr. Shao	Founder/Controlling Shareholder/Director of the Group
Mr. Li Jian	Director of the Group

(b) Transactions with related parties

In addition to the transactions and balances disclosed in Note 29, the Group entered into the following related party transactions during the years ended 31 December 2019 and 2018:

		Year ended 31 December	
		2019 RMB'000	2018 RMB'000
Mr. Shao	Interest expenses	517	–
Mr. Li Jian	Compensation on operating profit guarantee	3,774	–

(c) Receivable from a related party included in trade and other receivables (Note 20)

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Mr. Li Jian	4,000	–

36. RELATED PARTY TRANSACTIONS *(continued)*

(d) Payable to a related party included in trade and other payables (Note 26)

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Mr. Shao	272	–

(e) Payable to a related party included in borrowings (Note 29)

	As at 31 December	
	2019 RMB'000	2018 RMB'000
Mr. Shao	22,093	–

(f) Key management compensation

	Year ended 31 December	
	2019 RMB'000	2018 RMB'000
Salaries and allowances	13,064	12,926
Retirement scheme contributions	619	629
Employee share-based compensation	–	16
	13,683	13,571

(g) Investments held by Mr. Shao on behalf of the Group

As at 31 December 2019 and 2018, Mr. Shao is entrusted as registered shareholder of certain investments in subsidiaries (Note 11(a)) and financial assets at fair value through other comprehensive income (Note 19) on behalf of the Group.

37. CONTROLLED SPECIAL PURPOSE ENTITY

There is one special purpose entity controlled by the Company, which operates in Hong Kong, particulars of which are as follows:

Special purposes entity	Principal activities
The Modern Media Employees Share Award Plan ("Modern Media Employee Share Trust") operated under Supremo Investment Inc.	Administrating and holding the Company's shares for the Share Award Scheme for the benefit of the Company's eligible employees

The Company controls a special purpose entity, Supremo Investment Inc., which is set up solely for the purpose of purchasing, administrating and holding the Company's shares for the Share Award Scheme (Note 24). As the Company has the power to direct the relevant activities of Modern Media Employee Share Trust and it has the ability to use its power over Modern Media Employee Share Trust to affect its exposure to returns, the assets and liabilities of the Modern Media Employee Share Trust were included in the Group's consolidated statement of financial position and the Company's shares held by Modern Media Employee Share Trust were presented as a deduction in equity as "Shares held for Share Award Scheme".

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".

As at 31 December 2019, the Company has contributed RMB8,805,000 (2018: RMB8,805,000) in the Modern Media Employee Share Trust for shares and the amount is recorded as "investment in subsidiaries" in the Company's statement of financial position.

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

As at 31 December 2019 HK$'000		Notes	As at 31 December 2019 RMB'000	2018 RMB'000
	ASSETS AND LIABILITIES			
	Non-current assets			
9,843	Investments in subsidiaries	37	8,805	8,805
	Current assets			
10,153	Other receivables		9,082	8,956
151,541	Amounts due from subsidiaries		135,558	138,833
149	Cash and cash equivalents		133	138
161,843			144,773	147,927
	Current liabilities			
1,021	Other payables		913	111
12,475	Amounts due to subsidiaries		11,159	9,987
13,496			12,072	10,098
148,347	**Net current assets**		132,701	137,829
158,190	**Total assets less current liabilities**		141,506	146,634
158,190	**Net assets**		141,506	146,634
	EQUITY			
	Equity attributable to owners of the Company			
4,307	Share capital		3,853	3,853
153,883	Reserves	(a)	137,653	142,781
158,190	Total equity		141,506	146,634

The statement of financial position of the Company is approved by the Board of Directors on 23 March 2020 and is signed on its behalf.

Shao Zhong
Director

Mok Chun Ho, Neil
Director

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(a) Reserve movements of the Company

	Share premium RMB'000	Translation reserve RMB'000	Retained earnings/ (Accumulated losses) RMB'000	Total RMB'000
As at 1 January 2018	145,302	(5,529)	2,063	141,836
Loss for the year	–	–	(2,675)	(2,675)
Other comprehensive income	–	3,620	–	3,620
As at 31 December 2018 and 1 January 2019	145,302	(1,909)	(612)	142,781
Loss for the year	–	–	(2,370)	(2,370)
Other comprehensive loss	–	(2,758)	–	(2,758)
As at 31 December 2019	145,302	(4,667)	(2,982)	137,653

39. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executives' emoluments

The total remuneration of directors and the chief executives for the years ended 31 December 2019 and 2018 were set out as follows:

	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Directors		
Salaries and allowances	9,844	9,813
Directors' fees	627	739
Retirement scheme contributions	358	354
Employee share-based compensation	–	16
	10,829	10,922

No individual has waived or agreed to waive any emoluments.

39. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executives' emoluments *(continued)*

The remuneration of each director and chief executive for the years ended 31 December 2019 and 2018 were set out as follows:

	Fees	Salaries and allowances	Retirement scheme contributions	Employee share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019					
Executive directors					
Mr. Shao Zhong (i)	–	3,324	100	–	3,424
Mr. Mok Chun Ho, Neil	–	1,624	56	–	1,680
Ms. Yang Ying	–	1,800	100	–	1,900
Mr. Li Jian	–	1,200	86	–	1,286
Mr. Deroche Alain, Jean-Marie, Jacques	–	1,896	16	–	1,912
Independent non-executive directors					
Mr. Jiang Nanchun (ii)	55	–	–	–	55
Mr. Wang Shi	132	–	–	–	132
Mr. Au-Yeung Kwong Wah (iii)	248	–	–	–	248
Dr. Gao Hao	132	–	–	–	132
Mr. Yick Wing Fat Simon (iv)	60	–	–	–	60
Total	627	9,844	358	–	10,829
Year ended 31 December 2018					
Executive directors					
Mr. Shao Zhong (i)	–	3,320	96	–	3,416
Mr. Mok Chun Ho, Neil	–	1,587	56	16	1,659
Ms. Yang Ying	–	1,800	96	–	1,896
Mr. Li Jian	–	1,200	90	–	1,290
Mr. Deroche Alain, Jean-Marie, Jacques	–	1,906	16	–	1,922
Independent non-executive directors					
Mr. Jiang Nanchun (ii)	132	–	–	–	132
Mr. Wang Shi	132	–	–	–	132
Mr. Au-Yeung Kwong Wah (iii)	343	–	–	–	343
Dr. Gao Hao	132	–	–	–	132
Total	739	9,813	354	16	10,922

39. BENEFITS AND INTERESTS OF DIRECTORS *(continued)*

(a) Directors' and chief executives' emoluments *(continued)*

(i) Mr. Shao Zhong is also the chief executive officer of the Company.

(ii) Mr. Jiang Nanchun has tendered his resignation as a non-executive director with effect from 29 May 2019.

(iii) Mr. Au-Yeung Kwong Wah has tendered his resignation as a non-executive director with effect from 30 September 2019.

(iv) Mr. Yick Wing Fat Simon has been appointed as an independent non-executive director of the Group with effect from 1 October 2019.

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

40. EVENT AFTER THE REPORTING PERIOD

Since the outbreak of the coronavirus disease (the "COVID-19"), a series of precautionary and control measures have been and will continue to be implemented across the regions in which the Group has business operations. Given the dynamic nature of the COVID-19 outbreak, the impacts on the operating environment in the PRC, Hong Kong and the UK in which the Group principally operated are still uncertain as at the date of publication of these consolidated financial statements. The Group will continue to pay close attention to the development of the COVID-19 and will evaluate its impact on the financial position, cash flows and operating results of the Group.

Five Year Financial Summary

RESULTS

	Year ended 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	446,065	448,964	435,608	518,926	595,725
Profit/(loss) before income tax	3,714	(31,509)	(37,454)	6,487	25,080
Income tax expense	(1,507)	(2,961)	(2,334)	(3,474)	(4,489)
Profit/(loss) for the year	2,207	(34,470)	(39,788)	3,013	20,591

ASSETS AND LIABILITIES

	As at 31 December				
	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Total assets	743,794	641,233	653,190	692,618	679,744
Total liabilities	(290,950)	(189,186)	(176,606)	(221,105)	(207,751)
Total equity	452,844	452,047	476,584	471,513	471,993

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