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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 72)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Six months ended 30 June 2020 *RMB'000* **(Unaudited)**	Six months ended 30 June 2019 *RMB'000* (Unaudited)
Revenue	**107,809**	177,863
Loss for the period	**(71,590)**	(34,595)
Loss per share – Basic and diluted	**RMB(0.1524)**	RMB(0.0777)

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (2019: nil).

The board (the "**Board**") of directors (the "**Directors**") of Modern Media Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2020 (the "**Interim Period**") together with comparative figures for the corresponding period in 2019. The interim results had been reviewed by the Company's audit committee and the Company's auditor, ZHONGHUI ANDA CPA Limited.

Interim condensed consolidated statement of profit or loss and other comprehensive income
for the six months ended 30 June 2020

		Six months ended 30 June	
	Notes	**2020**	2019
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**107,809**	177,863
Cost of sales		**(93,807)**	(104,492)
Gross profit		**14,002**	73,371
Other income	*5*	**397**	3,103
Other gains – net	*6*	**394**	117
Distribution expenses		**(32,230)**	(46,507)
Administrative expenses		**(48,639)**	(58,926)
Operating loss		**(66,076)**	(28,842)
Finance expenses	*7*	**(4,278)**	(3,354)
Share of post-tax losses of associates		**(1,236)**	(261)
Share of post-tax losses of a joint venture		**–**	(752)
Impairment loss on interests in associates		**–**	(1,000)
Loss before income tax	*8*	**(71,590)**	(34,209)
Income tax expense	*9*	**–**	(386)
Loss for the period		**(71,590)**	(34,595)

	Note	Six months ended 30 June 2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other comprehensive income/(expenses)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**4,440**	(323)
Items that will not be subsequently reclassified to profit of loss			
Equity investments at fair value through other comprehensive income - net movement in fair value reserve (non-recycling)		**–**	(1,510)
Other comprehensive income/(expenses) for the period		**4,440**	(1,833)
Total comprehensive expenses for the period		**(67,150)**	(36,428)
Loss for the period attributable to:			
Owners of the Company		**(65,857)**	(33,611)
Non-controlling interests		**(5,733)**	(984)
		(71,590)	(34,595)
Total comprehensive expenses attributable to:			
Owners of the Company		**(62,518)**	(35,421)
Non-controlling interests		**(4,632)**	(1,007)
		(67,150)	(36,428)
Loss per share attributable to owners of the Company (expressed in RMB per share)			
Basic and diluted	*10*	**RMB(0.1524)**	RMB(0.0777)

Interim condensed consolidated statement of financial position
as at 30 June 2020

	Notes	**As at 30 June 2020** *RMB'000* **(Unaudited)**	As at 31 December 2019 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment	*11*	**160,530**	163,258
Right-of-use assets		**30,420**	39,301
Investment properties		**37,640**	37,640
Intangible assets		**52,293**	58,766
Goodwill	*12*	**41,262**	43,091
Software development in progress		**2,602**	2,885
Interests in associates		**1,178**	2,350
Interest in a joint venture		**–**	–
Equity investments at fair value through other comprehensive income		**577**	549
Prepayment for acquisition of property, plant and equipment	*13*	**8,437**	7,472
Prepayment for acquisition of a subsidiary	*13*	**7,833**	4,326
Deferred income tax assets		**885**	885
		343,657	360,523
Current assets			
Trade and other receivables	*13*	**221,365**	289,942
Inventories		**53,540**	50,748
Cash and cash equivalents		**42,353**	42,581
		317,258	383,271
Current liabilities			
Trade and other payables	*14*	**78,300**	89,802
Lease liabilities		**13,934**	19,300
Contract liabilities		**11,680**	9,368
Current income tax liabilities		**9,649**	9,555
Borrowings	*15*	**133,690**	130,001
		247,253	258,026
Net current assets		**70,005**	125,245
Total assets less current liabilities		**413,662**	485,768

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Borrowings	*15*	**–**	1,789
Lease liabilities		**17,571**	20,770
Deferred income tax liabilities		**10,397**	10,365
		27,968	32,924
Net assets		**385,694**	452,844
Capital and reserves			
Share capital	*16*	**3,853**	3,853
Reserves	*16*	**328,584**	391,102
Equity attributable to owners of the Company		**332,437**	394,955
Non-controlling interests		**53,257**	57,889
Total equity		**385,694**	452,844

Notes to the interim condensed consolidated financial statements

for the six months ended 30 June 2020

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal places of business in the People's Republic of China (the "**PRC**") and Hong Kong are at Units A2, 4/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 7/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Aberdeen, Hong Kong, respectively. Its registered office is at 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**") is principally engaged in the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising-related services, artwork trading and related services and restaurant operation.

The interim condensed consolidated statement of financial position as at 30 June 2020 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes of equity and the interim condensed consolidated statement of cash flows for six-month period then ended, and other explanatory notes (collectively defined as the "**Interim Financial Information**") of the Group have been approved by the Board on 28 August 2020.

The Interim Financial Information are presented in Renminbi ("**RMB**"), unless otherwise stated.

This Interim Financial Information have been reviewed, not audited.

2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

These condensed consolidated financial statements should be read in conjunction with the 2019 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards ("**IFRSs**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. IFRSs comprise International Financial Reporting Standards ("**IFRS**"), International Accounting Standards ("**IAS**"), and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT REPORTING

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

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on revenue and adjusted EBITDA without allocation of depreciation, amortisation, finance expenses, share of post-tax losses of associates and a joint venture, impairment loss on interests in associates, 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, equity investments 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 liabilities information is not presented.

The Group has 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 profits/losses of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

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

– Digital media platform: this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces; and engages in the production of customised contents for brand advertisers.

(a) Revenue

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment:		
– Print media and art platform	**64,869**	116,169
– Digital media platform	**38,251**	63,137
	103,120	179,306
Revenue derived from other operations	**4,859**	3,399
Less: sales taxes and other surcharges	**(170)**	(4,842)
	107,809	177,863
Types of goods or services:		
– Advertising income	**83,808**	131,120
– Circulation and subscription income	**4,429**	5,587
– Production, event and service income	**16,158**	38,350
– Sales of artworks and goods	**37**	52
– Revenue from restaurant operation	**2,274**	1,691
– Rental income	**1,103**	1,063
	107,809	177,863
Timing of revenue recognition under IFRS 15:		
– At a point in time	**90,548**	138,450
– Over time	**16,158**	38,350
	106,706	176,800
Rental income	**1,103**	1,063
	107,809	177,863

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the six months ended 30 June 2020 and 2019 were set out as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment:		
– Print media and art platform	**(34,214)**	(16,535)
– Digital media platform	**(9,565)**	6,708
	(43,779)	(9,827)
Revenue derived from other operations	**4,859**	3,399
Depreciation	**(15,759)**	(13,399)
Amortisation	**(6,348)**	(7,121)
Finance expenses	**(4,278)**	(3,354)
Share of post-tax losses of associates	**(1,236)**	(261)
Share of post-tax losses of a joint venture	**–**	(752)
Impairment loss on interest in associates	**–**	(1,000)
Change in fair value of investment properties	**–**	200
Dispose of a subsidiary	**(2,951)**	–
Unallocated head office and corporate expenses	**(2,098)**	(2,094)
Loss before income tax	**(71,590)**	(34,209)

	Six months ended 30 June 2020		
	Depreciation	**Amortisation**	**Finance expenses**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Reportable segment:			
– Print media and art platform	**10,732**	**367**	**3,165**
– Digital media platform	**5,027**	**5,981**	**1,113**
	15,759	**6,348**	**4,278**

	Six months ended 30 June 2019		
	Depreciation	Amortisation	Finance expenses
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Reportable segment:			
– Print media and art platform	12,327	351	2,953
– Digital media platform	1,072	6,770	401
	13,399	7,121	3,354

(c) Total assets

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Reportable segment:		
– Print media and art platform	**268,479**	446,247
– Digital media platform	**114,762**	130,618
	383,241	576,865
Corporate and unallocated assets	**117,317**	2,309
Investment properties	**37,640**	37,640
Interests in associates	**1,178**	2,350
Equity investments at fair value through other comprehensive income	**577**	549
Deferred income tax assets	**885**	885
Other receivables	**77,724**	80,615
Cash and cash equivalents	**42,353**	42,581
Total assets	**660,915**	743,794

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

	Six months ended 30 June	
	2020	*2019*
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Reportable segment:		
– Print media and art platform	**3,275**	62,278
– Digital media platform	**4,751**	16,055
	8,026	78,333

(d) Geographic information

The geographic location of the Group's property, plant and equipment, right-of-use assets, investment properties, intangible assets, goodwill, software development in progress, interests in associates and a joint venture, prepayment for acquisition of property, plant and equipment and prepayment for acquisition of a subsidiary ("**specified non-current assets**") were mainly in the PRC, Hong Kong and the United Kingdom (the "**UK**") as at 30 June 2020 and 31 December 2019.

5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC government subsidy (i)	**79**	2,455
Bank interest income	**17**	24
Others	**301**	624
	397	3,103

(i) PRC government subsidy represented subsidies received from local governmental authorities by several subsidiaries of the Group.

6. OTHER GAINS – NET

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Change in fair value of investment properties	**–**	200
Exchange gain/(losses)	**394**	(83)
	394	117

7. FINANCE EXPENSES

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on borrowings	**3,047**	2,232
Finance charges on lease liabilities	**1,231**	1,122
	4,278	3,354

8. LOSS BEFORE INCOME TAX

The Group's loss for the period is stated after (crediting)/charging the following:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment:		
– Owned assets	**6,368**	6,911
– Right-of-use assets	**10,114**	6,717
Amortisation of intangible assets	**6,348**	7,121
Expected credit loss ("**ECL**") allowance on trade receivables	**(364)**	462
Impairment of goodwill	**–**	800
Short term leases charges an land and buildings	**68**	3,250

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Deferred tax	**–**	386

Notes:

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

(b) Hong Kong profits tax has not been provided for the six months ended 30 June 2020 and 2019 on the subsidiaries in Hong Kong as the subsidiaries had no estimated assessable profits in Hong Kong.

(c) The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25% for the six months ended 30 June 2020 and 2019. No provision has been made for PRC corporate income tax as the Group sustained a loss for taxation purpose.

10. LOSS PER SHARE

Basic loss per share

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
Loss attributable to owners of the Company	**(65,857)**	(33,611)
	'000	*'000*
Issued ordinary shares as at 1 January and 30 June	**438,353**	438,353
Weighted average number of shares held for the Treasury Shares/Share Award Scheme	**(6,359)**	(5,647)
Weighted average number of ordinary shares in issue	**431,994**	432,706

Diluted loss per share were same as the basic loss per share as there was no dilutive event existed during six months ended 30 June 2020 and 2019.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of approximately RMB1,888,000 (six months ended 30 June 2019: approximately RMB19,748,000).

12. GOODWILL

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**43,091**	32,041
Acquisition of a subsidiary	**–**	11,850
Disposal of a subsidiary *(Note 17)*	**(1,829)**	–
Impairment losses	**–**	(800)
	41,262	43,091

Goodwill is allocated to the Group's cash-generating units ("**CGUs**") identified according to country of operation and operating segment. A segment level summary of goodwill is presented below:

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Digital media platform – the PRC	**28,203**	30,032
Print media and art platform – the PRC	**13,059**	13,059
	41,262	43,091

The recoverable amounts of goodwill relating to the digital media platform and print media and art platform in the PRC were determined based on value-in-use calculations, consistent with the methods used as at 31 December 2019.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables *(note a)*	**138,053**	214,139
Less: ECL allowance of trade receivables *(note b)*	**(6,530)**	(6,894)
Carrying amount	**131,523**	207,245
Value-added tax recoverable	**16,414**	15,753
Prepayments	**36,048**	34,068
Printing deposits	**12,115**	13,880
Rental, utility and other deposits	**7,922**	8,176
Advances and loans to employees	**28,188**	9,896
Amount due from a director *(note c)*	**–**	4,000
Others	**5,425**	8,722
	237,635	301,740
Less: non-current portion:		
Prepayments for acquisition of property, plant and equipment	**(8,437)**	(7,472)
Prepayment for acquisition of a subsidiary	**(7,833)**	(4,326)
Current portion	**221,365**	289,942

Note a: The aging analysis of trade receivables, based on invoice dates, before ECL allowance, was as follows:

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Trade receivables, gross		
Within 30 days	**45,667**	88,916
Over 30 days and within 90 days	**24,304**	64,130
Over 90 days and within 180 days	**13,354**	38,059
Over 180 days and within 1 year	**43,086**	13,380
Over 1 year and within 2 years	**6,635**	5,575
Over 2 years and within 3 years	**1,553**	294
Over 3 years	**3,454**	3,785
	138,053	214,139

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.

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

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**6,894**	7,273
ECL allowance recognised, net *(note 8)*	**(364)**	(379)
At 30 June/31 December	**6,530**	6,894

Note c: The amount due from a director was unsecured, interest-free and repayable on demand.

14. TRADE AND OTHER PAYABLES

	As at 30 June 2020	As at 31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**32,942**	40,942
Accrued taxes other than income tax	**4,723**	6,685
Accrued expenses	**13,708**	18,479
Advertising and promotion expenses payable	**5,600**	3,105
Salaries, wages, bonus and benefits payable	**8,598**	1,409
Consideration payable for acquisition of a subsidiary	**3,320**	9,000
Amount due to a related party	**–**	272
Other liabilities	**9,409**	9,910
	78,300	89,802

The aging analysis of trade payables, based on the date of receipt of goods, is as follows:

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Within 30 days	**10,723**	24,203
Over 30 days and within 90 days	**7,831**	8,897
Over 90 days and within 180 days	**1,009**	3,397
Over 180 days	**13,379**	4,445
	32,942	40,942

15. BORROWINGS

	As at 30 June 2020 *RMB'000* (Unaudited)	As at 31 December 2019 *RMB'000* (Audited)
Current		
– Secured bank borrowings *(note a)*	**112,010**	109,697
– Other borrowings *(note b)*	**21,680**	20,304
	133,690	130,001
Non-current		
– Other borrowings *(note b)*	**–**	1,789
	133,690	131,790

Note (a) As at 30 June 2020, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of RMB138,489,000 (including in investment properties of RMB37,640,000 and property, plant and equipment of RMB100,849,000) (As at 31 December 2019 (audited): RMB137,560,000 (including in investment properties of RMB37,640,000 and property, plant and equipment of RMB99,920,000)) and/or were guaranteed by Mr. Shao.

Note (b) As at 30 June 2020, the other borrowings due to a director is unsecured, has no fixed repayment terms or repayable within one year and bears interest at fixed rate of 5% per annum.

16. SHARE CAPITAL, DIVIDEND AND RESERVES

(a) Share capital

Details of the authorised and issued share capital of the Company were set out as follows:

	Number of shares	Share capital
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.01 each:		
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	8,000,000	80,000

	Number of shares	Share capital
	'000	*RMB'000*
Ordinary shares, issued and fully paid:		
At 30 June 2020 (unaudited) and 31 December 2019 (audited)	438,353	3,853

(b) Dividend

The Directors do not recommend the payment of any dividend by the Company for the six months ended 30 June 2020 and 2019.

17. LOSS ON DISPOSAL OF A SUBSIDIARY

On 12 March 2020, the Group disposed 100% of the issued share capital of Linkchic (Beijing) Network Technology Co., Ltd. (the "**Linkchic (Beijing)**"), a 100% indirect owned subsidiary of the Company by deregistration.

The fair value of the identifiable assets and liabilities of Linkchic (Beijing) disposed as at its date of disposal was as follows:

	RMB'000
	(Unaudited)
Intangible assets	939
Goodwill	1,829
Trade and other receivables	183
Loss on disposal of a subsidiary	2,951

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

For the six months ended 30 June 2020, the Group's revenue experienced a decline of approximately 39.4% to RMB107.8 million as compared with the corresponding period in 2019 (corresponding period of 2019: RMB177.9 million). During the Interim Period, the segment results are as follows:

	Print Media and Art Platform *RMB'000*	**Digital Media Platform** *RMB'000*	**Total** *RMB'000*
2020			
Reportable segment revenue	**64,869**	**38,251**	**103,120**
Reportable segment loss	**(48,478)**	**(21,686)**	**(70,164)**
Segment EBITDA	**(34,214)**	**(9,565)**	**(43,779)**
2019			
Reportable segment revenue	116,169	63,137	179,306
Reportable segment loss	(32,166)	(1,535)	(33,701)
Segment EBITDA	(16,535)	6,708	(9,827)

In regard to the segment results, the segment revenue for print media and art platform in the Interim Period recorded a decline of 44.2% when compared with the corresponding period in 2019. On the other hand, the segment revenue for digital media platform recorded a decrease of 39.4% in the Interim Period as compared to the corresponding period in 2019. The global economy has been adversely affected by the outbreak of Coronavirus Disease 2019 ("**COVID-19**") since the beginning of the year. The COVID-19 has been causing some operational delays and disruptions to the Group's businesses and operations, including but not limited to work from home and social distancing policies, which had also caused postponements or cancellations of various business meetings, exhibition opening and sales activities which resulted in the delay in project delivery and new contract conclusion.

(A) BUSINESS REVIEW

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 media platform sector, art platform sector and print media platform sector.

Digital media platform

At the end of the Interim Period, the "iWeekly" had accumulated approximately 14,900,000 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 China by Apple and Android platforms. "iWeekly" was also incorporated with an enhanced "daily news radio broadcast" function. Such 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 7,300,000 users as at the end of the Interim Period. 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. In 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 Interim Period, "Bloomberg Businessweek 商業週刊中文版" also successfully raised the number of its smartphone and tablet PC users to approximately 12,600,000, "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 App Store newsstand and has been at the top of the list since 2015. 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 RMB14.3 million for the Interim Period (for the Interim Period of 2019: RMB12.7 million), and is expected to generate more revenue in the coming future.

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

The contributed revenue of the art platform 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).

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. 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. The Group is in the process of acquiring 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 platform sector

The publication of the Group is mainly weekly/bi-weekly and monthly/bi-monthly magazines, which included areas such as lifestyle, news, finance, culture, art and health.

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. 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 the second half year of 2020 and in the future.

(B) BUSINESS OUTLOOK

The COVID-19 outbreak in China and other parts of the world will continue to pose significant economic and operational challenges in the second half of 2020. The Group remains on high alert for the operational impact of the outbreak and takes any necessary measures to mitigate the impact. The Group will actively expand our customer base and identify potential investment opportunities and other business opportunities, and diversify the existing business areas of the Group to enhance the overall long-term interests of the Company and its shareholders.

As of the date of this announcement, the Group continues to bring good news. For instance, "Behind the Scenes: Zeng Guoxiang", a short video directed by the Nowness China Team, won the Best Director Award in the 23rd Shanghai International Film Festival. At the same time, four short films of the Nowness China Team, namely, "Behind the Scenes: Zeng Guoxiang", "The New Master: Opening the Door, Bajiquan-Wu Hao", "How Can I Look So Good", and "Application of Life: Airdrop", were listed in the top 20 of the short video unit, and as the recommended short films of the festival.

In addition, the cover of the 611th InStyle issue featured Liu Yuxin, the winner of the talent show "Youth with You 2". As the first personal magazine cover of Liu Yuxin in the Chinese market, the first physical magazine InStyle Icon has achieved extraordinary market effect since it came into the market: the first physical magazine InStyle Icon had a limited edition of 10,000 copies. Meanwhile, InStyle sold more than 100,000 copies on the same day. At present, the sales volume is still breaking the record of T-mall, being the single publication of the Group.

Looking ahead, the management believes that by deepening the implementation of the new platform innovation business model strategy, it will bring new opportunities and growth momentum to the Group. As a high-profile media group with a history of 26 years in China, 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 we continue to work hard to overcome all kinds of difficulties, always with high standards, high quality, high efficiency requirements, keep up with the tide of the times, for modern communication to create more brilliant achievements.

DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any interim dividend for the Interim Period (2019: nil). The Directors will consider the final dividend after evaluating the full-year financial performance of 2020.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the Interim Period, the Group recorded a net cash inflow in operating activities of RMB25.8 million (corresponding period of 2019: RMB8.3 million). The improvement in cash flow in operating activities was largely due to the increase in sales proceeds received as a result of effective accounts receivable management. The Group recorded a net cash outflow in investing activities of RMB12.5 million for the Interim Period, which mainly comprised of the payment for acquisition of Shanghai Shangzhao Co., Ltd. and its subsidiary, Shanghai Zhongshe Cultural Development Co., Ltd. (collectively the "**Shanghai Shangzhao Group**") of RMB5.6 million, prepayment for acquisition of Art Review Limited of RMB3.5 million and payment for leasehold improvement on new offices in Shanghai.

Gearing ratio

The gearing ratio of the Group as at 30 June 2020 was 25.0% (as at 31 December 2019: 23.1%). The gearing ratio increased mainly due to the decrease of total assets.

The gearing ratio is calculated based on total debts divided by total assets at each reporting date. Total debts include borrowings and lease liabilities.

Capital expenditure and commitment

Capital expenditures of the Group for the Interim Period include expenditures on property, plant and equipment, software development in progress, prepayment for acquisition of property, plant and equipment, prepayment for acquisition of a subsidiary and acquisition of a subsidiary of approximately RMB12.5 million (corresponding period of 2019: RMB16.0 million).

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing suppliers to secure the banking facilities and printing credit line, as at 30 June 2020, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 30 June 2020, the Group's bank loans of RMB28.0 million were secured by the Group's office and investment properties in Beijing and guaranteed by Mr. Shao, the controlling shareholder of the Group. The Group's bank loans of RMB95.7 million were secured by the office apartment in Hong Kong and among them RMB9.1 million was guaranteed by Mr. Shao. The Group's bank loan of RMB10.0 million was guaranteed by Mr. Shao.

As at 30 June 2020, the Group's printing credit line in an amount of approximately RMB3.6 million was secured by corporate guarantee given by the Company.

FOREIGN CURRENCY RISKS

The Group mainly operates in the PRC, Hong Kong and the UK and majority of the transactions are denominated and settled in RMB, HK$ or Great British Pounds ("**GBP**"), being the functional currency of the group entities to which the transactions relate. Currency risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 30 June 2020, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 30 June 2020, the Group had a total of 415 staff (as at 31 December 2019: 488 staff), whose remunerations and benefits are determined based on market rates, State policies and individual performance. The decrease in the number of employees was mainly due to the rationalization of the organization structure of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the Interim Period with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Company is of the view that it is in the best interest of the Company to let Mr. Shao, the founder of the Group, act in the dual capacity as the chairman and chief executive officer of the Group given Mr. Shao's in-depth expertise and knowledge in business and the Group, which can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. In addition, the Board is also supervised by 3 independent non-executive Directors. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group as the Board assumes collective responsibility on the decision-making process of the Company's business strategies and operation. The Directors will meet regularly to consider major matters affecting the operations of the Group.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Mr. Wang Shi and Dr. Gao Hao. The Chairman of the Audit Committee possesses appropriate professional qualification and experience in financial matters.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months period ended 30 June 2020 with no disagreement with the accounting treatment adopted by the Company.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Yick Wing Fat Simon (Chairman), Mr. Wang Shi and Dr. Gao Hao. They are responsible for making recommendations to the Board on setting policy on the remuneration of the Directors and determine on behalf of the Board specific remuneration packages and conditions of employment for the Directors.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three independent non-executive Directors, namely Mr. Wang Shi (Chairman), Dr. Gao Hao and Mr. Yick Wing Fat Simon. They are responsible for reviewing the structure, size and composition of the Board at least annually, making recommendation on any proposed changes to the Board and the appointment or re-appointment of Directors.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (as set out in Appendix 10 to the Listing Rules) (the "**Model Code**") as its own code of conducts regarding directors' securities transaction. In response to a specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the Interim Period.

PUBLICATION

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Group (www.modernmedia.com.cn) respectively. The 2020 interim report will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises the following members: (a) as executive directors, Mr. SHAO Zhong, Ms. YANG Ying, Mr. LI Jian and Mr. DEROCHE Alain, Jean-Marie, Jacques; (b) as independent non-executive directors, Mr. WANG Shi, Dr. GAO Hao and Mr. YICK Wing Fat, Simon.