

INTERIM REPORT 2020

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

瞬息



現代傳播
Modern Media

聯 豐

CONTENTS

- 2 CORPORATE INFORMATION
- 4 MANAGEMENT DISCUSSION AND ANALYSIS
- 11 CORPORATE GOVERNANCE AND OTHER INFORMATION
- 17 INDEPENDENT REVIEW REPORT
- 18 INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- 20 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 22 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 23 INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- 24 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shao Zhong (*Chairman and Chief Executive Officer*)

Ms. Yang Ying

Mr. Li Jian

Mr. Deroche Alain, Jean-Marie, Jacques

Independent Non-executive Directors

Mr. Wang Shi

Dr. Gao Hao

Mr. Yick Wing Fat Simon

AUDIT COMMITTEE

Mr. Yick Wing Fat Simon (*Chairman*)

Mr. Wang Shi

Dr. Gao Hao

REMUNERATION COMMITTEE

Mr. Yick Wing Fat Simon (*Chairman*)

Mr. Wang Shi

Dr. Gao Hao

NOMINATION COMMITTEE

Mr. Wang Shi (*Chairman*)

Dr. Gao Hao

Mr. Yick Wing Fat Simon

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Shao Zhong (*Chairman*)

Dr. Gao Hao

Ms. Zhong Yuanhong

COMPANY SECRETARY

Ms. Chan Sze Ting (*ACS, ACIS, CGP*)

AUTHORISED REPRESENTATIVES

Mr. Shao Zhong

Ms. Chan Sze Ting

AUDITORS

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Unit 701, 7/F., Citicorp Centre

18 Whitfield Road, Causeway Bay, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAW

Chiu & Partners

40th Floor, Jardine House, 1 Connaught Place

Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Unit 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

Corporate Information *(continued)*

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 Road Central, Hong Kong

STOCK CODE

Stock code: 72

WEBSITE

www.modernmedia.com.cn

Management Discussion and Analysis

RESULT SUMMARY

For the six months ended 30 June 2020 (the “Interim Period”), 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.

Management Discussion and Analysis *(continued)*

RESULT SUMMARY *(Continued)*

(A) BUSINESS REVIEW *(Continued)*

Digital media platform *(Continued)*

“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.

Management Discussion and Analysis *(continued)*

RESULT SUMMARY *(Continued)*

(A) BUSINESS REVIEW *(Continued)*

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.

Management Discussion and Analysis *(continued)*

RESULT SUMMARY *(Continued)*

(A) BUSINESS REVIEW *(Continued)*

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.

Management Discussion and Analysis *(continued)*

RESULT SUMMARY *(Continued)*

(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 report, 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 of the Company (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.

Management Discussion and Analysis *(continued)*

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 Zhong (“**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.

Management Discussion and Analysis *(continued)*

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.

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

28 August 2020

Corporate Governance and Other Information

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the Directors and chief executive of the Company had the following interests or short positions in the 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 of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) 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 of the Company held	Approximate % of issued ordinary shares*
Shao Zhong	The Company	Beneficial owner	302,496,000	69.01%
Yang Ying	The Company	Beneficial owner	110,000	0.03%
Deroche Alain, Jean-Marie, Jacques	The Company	Beneficial owner	94,000	0.02%

* as at 30 June 2020

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%

Corporate Governance and Other Information (continued)

Name of Director	Name of associated corporation	Capacity	Approximate % of equity interest
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	深圳市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	珠海市銀弧廣告有限公司 (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	上海森音信息技術有限公司 (Shanghai Senyin Information Interest of controlled 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

Corporate Governance and Other Information *(continued)*

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 Xiandai. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Video held by Guangzhou Xiandai 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.

Corporate Governance and Other Information *(continued)*

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

The register of interests in the shares and short positions maintained by the Company under Section 336 of the SFO shows that as at 30 June 2020, the Company had been notified of the following shareholders other than Directors having interests in the shares representing 5% or more of the Company's issued shares:

Name of shareholder	Capacity	Number of ordinary shares held	Percentage of issued ordinary shares*
Madam Zhou Shao-min (Note 1)	Interest of spouse	302,496,000	69.01%
FIDELITY CHINA SPECIAL SITUATIONS PLC	Beneficial owner	26,106,000	5.96%
FIL Limited (Note 2)	Interest of corporation controlled by the substantial Shareholder	26,106,000	5.96%
Pandanus Partners L.P. (Note 2)	Interest of corporation controlled by the substantial Shareholder	26,106,000	5.96%
Pandanus Associates Inc. (Note 2)	Interest of corporation controlled by the substantial Shareholder	26,106,000	5.96%
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 30 June 2020

Notes:

1. Madam. Zhou Shao-min is the spouse of Mr. Shao Zhong, under the SFO, she is deemed to be interested in the shares held by Mr. Shao.
2. According to the corporate substantial shareholder notices of Pandanus Associates Inc. and Pandanus Partners L.P. both dated 5 June 2020, FIL Investment Management (Hong Kong) Limited is 100% controlled by FIL Asia Holdings Pte Limited, FIL Asia Holdings Pte Limited is in turn 100% controlled by FIL Limited, FIL Limited is in turn 36.86% controlled by Pandanus Partners L.P. and ultimately Pandanus Partners L.P. is 100% controlled by Pandanus Associates Inc.. For the purpose of the SFO, each of Pandanus Associates Inc., Pandanus Partners L.P., FIL Limited and FIL Asia Holdings Pte Limited is deemed to be interested in the shares beneficially owned by FIL Investment Management (Hong Kong) Limited.

Corporate Governance and Other Information *(continued)*

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.

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.

Corporate Governance and Other Information *(continued)*

AUDIT COMMITTEE

The Audit Committee of the Company (the “**Audit Committee**”) currently 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 of the Company 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 of the Company 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environment, Social and Governance Committee of the Company currently comprises one executive Director, namely Mr. Shao Zhong (Chairman), one independent non-executive Director, namely Dr. Gao Hao and Ms. Zhong Yuanhong (a member of the senior management of the Group). They are responsible for formulating policies and implementing procedures to deal with environment, social and governance affairs of the Group.

CHANGE OF DIRECTOR’S INFORMATION SINCE THE DATE OF LAST ANNUAL REPORT

1. Mr. Yick Wing Fat Simon, independent non-executive Director, ceased to be an independent non-executive director, the convener of the nomination committee and a member of the strategy committee of Chengdu Xinrong Environment Co., Ltd. (Stock code: 000598.SZ) on 4 August 2020.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code. In response to a specific enquiry by the Company, all the Directors confirmed that they had complied with the required standard set out in the Model Code and the Company’s code of conduct regarding Directors’ securities transactions during the Interim Period.

Independent Review Report



TO THE BOARD OF DIRECTORS OF MODERN MEDIA HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 18 to 44 which comprises the condensed consolidated statement of financial position of Modern Media Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34. Our responsibility is to express a conclusion on this interim financial report based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report is not prepared, in all material respects, in accordance with International Accounting Standard 34.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Pang Hon Chung

Practising Certificate Number P05988

Hong Kong, 28 August 2020

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	5	107,809	177,863
Cost of sales		(93,807)	(104,492)
Gross profit		14,002	73,371
Other income	6	397	3,103
Other gains – net	7	394	117
Distribution expenses		(32,230)	(46,507)
Administrative expenses		(48,639)	(58,926)
Operating loss		(66,076)	(28,842)
Finance expenses	8	(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	9	(71,590)	(34,209)
Income tax expense	10	–	(386)
Loss for the period		(71,590)	(34,595)
Other comprehensive income/(expenses)			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		4,440	(323)
<i>Items that will not be subsequently reclassified to profit or loss</i>			
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)

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

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
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	11	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	12	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	13	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	14	8,437	7,472
Prepayment for acquisition of a subsidiary	14	7,833	4,326
Deferred income tax assets		885	885
		343,657	360,523
Current assets			
Trade and other receivables	14	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	15	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	16	133,690	130,001
		247,253	258,026
Net current assets		70,005	125,245
Total assets less current liabilities		413,662	485,768

Interim Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Non-current liabilities			
Borrowings	16	–	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	17	3,853	3,853
Reserves	17	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

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Share capital RMB'000	Share held for			Other reserves RMB'000	Statutory surplus reserves RMB'000	Property revaluation reserve RMB'000	Fair value reserve (non- recycling) RMB'000	Translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
		Treasury shares RMB'000	Share Award Scheme RMB'000	Share premium RMB'000									
At 1 January 2020 (audited)	3,853	(6,983)	-	145,302	2,859	54,885	16,465	(6,053)	(707)	185,334	394,955	57,889	452,844
Total comprehensive expenses for the period (unaudited)	-	-	-	-	-	-	-	-	3,339	(65,857)	(62,518)	(4,632)	(67,150)
Appropriation to statutory surplus reserve (unaudited)	-	-	-	-	-	1,461	-	-	-	(1,461)	-	-	-
At 30 June 2020 (unaudited)	3,853	(6,983)	-	145,302	2,859	56,346	16,465	(6,053)	2,632	118,016	332,437	53,257	385,694
At 1 January 2019 (audited)	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 expenses for the period (unaudited)	-	-	-	-	-	-	-	(1,510)	(300)	(33,611)	(35,421)	(1,007)	(36,428)
Acquisition of a subsidiary (unaudited)	-	-	-	-	-	-	-	-	-	-	-	3,027	3,027
At 30 June 2019 (unaudited)	3,853	-	(6,793)	145,302	2,859	51,955	16,465	(5,160)	215	154,292	362,988	55,658	418,646

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Cash flows from operations		
Cash generated from operations	25,829	8,318
Income tax paid	–	(56)
<i>Net cash generated from operating activities</i>	25,829	8,262
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,888)	(3,307)
Payments for software development in progress	(430)	(4,516)
Proceeds from disposal of property, plant and equipment	–	67
Prepayment for acquisition of property, plant and equipment	(965)	(2,019)
Prepayment for acquisition of a subsidiary	(3,507)	(904)
Payments for acquisition of a subsidiary in prior year	(5,680)	–
Acquisition of a subsidiary	–	(5,235)
Other investing cash flows – net	–	(706)
<i>Net cash used in investing activities</i>	(12,470)	(16,620)
Cash flows from financing activities		
Proceeds from borrowings	3,524	7,107
Repayments of borrowings	(3,376)	(1,211)
Payment of lease liabilities	(10,688)	(6,094)
Interest paid	(3,047)	(3,354)
<i>Net cash used in financing activities</i>	(13,587)	(3,552)
Net decrease in cash and cash equivalents	(228)	(11,910)
Cash and cash equivalents at beginning of the period	42,581	17,918
Cash and cash equivalents at end of the period	42,353	6,008
Analysis of cash and cash equivalents		
Bank and cash balances	42,353	6,008

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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**”) 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 of Directors 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.

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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

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. FAIR VALUE MEASUREMENTS

The carrying amounts of the Group’s financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

4. FAIR VALUE MEASUREMENTS *(Continued)*

(a) Disclosures of level in fair value hierarchy:

Description	Fair value measurement using:			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2020 (Unaudited)				
Equity investments at fair value through other comprehensive income				
– Unlisted equity investments	–	–	577	577
	–	–	577	577
At 31 December 2019 (Audited)				
Equity investments at fair value through other comprehensive income				
– Unlisted equity investments	–	–	549	549
	–	–	549	549

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

4. FAIR VALUE MEASUREMENTS *(Continued)*

(b) Reconciliation of assets measured at fair value based on level 3:

Description	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Equity investments		
At 1 January	549	3,071
Fair value changes recognised in other comprehensive income	–	(2,403)
Currency translation differences	28	(119)
At 30 June/31 December	577	549

There have been no transfers into or out of level 3 during the six months ended 30 June 2020 and the year ended 31 December 2019.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

5. 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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

5. REVENUE AND SEGMENT REPORTING *(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:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

5. REVENUE AND SEGMENT REPORTING *(Continued)*

(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 RMB'000 (Unaudited)	2019 RMB'000 (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)

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

5. REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Adjusted EBITDA *(Continued)*

	Six months ended 30 June 2020		
	Depreciation	Amortisation	Finance
	RMB'000	RMB'000	expenses
	(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
	RMB'000	RMB'000	expenses
	(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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

5. REVENUE AND SEGMENT REPORTING *(Continued)*

(c) Total assets

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (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 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Reportable segment:		
– Print media and art platform	3,275	62,278
– Digital media platform	4,751	16,055
	8,026	78,333

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

5. REVENUE AND SEGMENT REPORTING *(Continued)*

(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.

6. OTHER INCOME

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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.

7. OTHER GAINS – NET

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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

8. FINANCE EXPENSES

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

9. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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 on land and buildings	68	3,250

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (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.

11. 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 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

12. 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).

13. GOODWILL

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
At 1 January	43,091	32,041
Acquisition of a subsidiary	–	11,850
Disposal of a subsidiary (Note 18)	(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 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

14. 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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES *(Continued)*

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)
<u>Trade receivables, gross</u>		
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 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
At 1 January	6,894	7,273
Reversal of ECL allowance recognised, net <i>(note 9)</i>	(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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

15. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

16. 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.

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

17. 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 '000	Share capital 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 '000	Share capital RMB'000
Ordinary shares, issued and fully paid: At 30 June 2020 (unaudited) and 31 December 2019 (audited) (note i)	438,353	3,853

Note i: The issued and fully paid share capital was approximately HK\$4,384,000.

(b) Dividend

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

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

18. 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

19. COMMITMENTS

(a) Capital commitments

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Contracted but not provided for:		
– Property, plant and equipment	2,338	3,303
– Acquisition of a subsidiary	–	1,132
	2,338	4,435

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

19. COMMITMENTS *(Continued)*

(b) Operating lease commitments

As lessor

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Operating leases expiring:		
– Within 1 year	2,126	2,126
– After 1 year but within 5 years	7,517	8,837
	9,643	10,963

(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 for cooperation titles were as follows:

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Licensing agreement expiring:		
– Within 1 year	20,317	21,053
– After 1 year but within 5 years	15,411	23,970
– After 5 years	–	1,744
	35,728	46,767

Notes to the Interim Condensed Consolidated Financial Statements *(continued)*

For the six months ended 30 June 2020

20. RELATED PARTY TRANSACTIONS

- a) In addition to those related party transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with its related parties during the period:

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest expenses payable to a director	680	–
Key management compensation		
Salaries and allowances	6,656	6,501
Retirement scheme contributions	263	313
	6,919	6,814

- b) As at 30 June 2020 and 31 December 2019, Mr. Shao is entrusted as registered shareholder of certain investments in subsidiaries and equity investments at fair value through other comprehensive income on behalf of the Group.