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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)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	2020 RMB'000	2019 RMB'000 (Restated)	Variance
Revenue	313,128	448,600	(30.2%)
Loss for the year	(69,975)	(1,228)	5,598.3%
Loss per share			
– Basic and diluted (RMB)	(0.1812)	(0.0061)	2,870.5%
Total assets	637,555	760,234	(16.1%)

The Board does not recommend the payment of final dividend (2019: Nil) for the year ended 31 December 2020.

Reference is made to the announcement of Modern Media Holdings Limited (the “**Company**” and its subsidiaries, collectively the “**Group**”) dated 31 March 2021 in relation to, among other things, the unaudited annual results of the Group for the year ended 31 December 2020 (the “**Unaudited Annual Results Announcement**”). As stated in the Unaudited Annual Results Announcement, publication of the audited annual results of the Group for the year ended 31 December 2020 was delayed as the auditing process of the Group had not been completed.

AUDITED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that the auditing process of the annual results of the Group for the year ended 31 December 2020 has been completed.

The audited annual results for the year ended 31 December 2020 together with the comparative figures for the year ended 31 December 2019 are as follows:

Save as (i) adjustments of certain items in 2019 and 2020 consolidated financial statements; and (ii) reversing the bad debt provision of approximately RMB9,959,000 for Art Review Ltd. in 2020, there were no other significant changes as compared with the 2020 unaudited annual results contained in the Unaudited Annual Results Announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i> (Restated)
Revenue	3	313,128	448,600
Cost of sales		<u>(202,045)</u>	<u>(241,320)</u>
Gross profit		111,083	207,280
Other income	4	1,573	7,018
Other (loss)/gains, net	5	(72)	650
Distribution expenses		(63,022)	(87,328)
Administrative expenses		<u>(112,015)</u>	<u>(118,188)</u>
(Loss)/profit from operations		<u>(62,453)</u>	<u>9,432</u>
Finance expenses	6	<u>(6,907)</u>	<u>(6,530)</u>
Share of losses of associates		(1,236)	(733)
Share of losses of a joint venture		–	(276)
Impairment loss on interests in associates		(1,178)	(1,084)
Impairment loss on interest in a joint venture		<u>–</u>	<u>(530)</u>

		2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
	<i>Notes</i>		
(Loss)/profit before tax	8	(71,774)	279
Income tax credit/(expenses)	7	<u>1,799</u>	<u>(1,507)</u>
Loss for the year		<u>(69,975)</u>	<u>(1,228)</u>
Other comprehensive expenses, net of tax			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of financial statements of overseas subsidiaries		(2,522)	(1,536)
<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)		<u>(516)</u>	<u>(2,403)</u>
Other comprehensive expenses for the year		<u>(3,038)</u>	<u>(3,939)</u>
Total comprehensive expenses for the year		<u>(73,013)</u>	<u>(5,167)</u>
Loss for the year attributable to:			
Owners of the Company		(78,267)	(2,635)
Non-controlling interests		<u>8,292</u>	<u>1,407</u>
		<u>(69,975)</u>	<u>(1,228)</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company		(80,883)	(5,979)
Non-controlling interests		<u>7,820</u>	<u>812</u>
		<u>(73,013)</u>	<u>(5,167)</u>
Loss per share	10		
– Basic (RMB per share)		<u>(0.1812)</u>	<u>(0.0061)</u>
– Diluted (RMB per share)		<u>(0.1812)</u>	<u>(0.0061)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Non-current assets			
Property, plant and equipment		148,115	163,632
Right-of-use assets		22,745	41,183
Investment properties		37,700	37,640
Intangible assets		52,593	65,697
Goodwill		43,725	51,637
Software development in progress		2,104	2,885
Interests in associates		–	2,350
Interests in a joint venture		–	–
Equity investments at fair value through other comprehensive income		–	549
Prepayment for property, plant and equipment		9,015	7,472
Deferred income tax assets		–	885
		315,997	373,930
Current assets			
Inventories		54,722	50,748
Trade and other receivables	11	205,442	292,595
Investments at fair value through profit or loss		25,307	–
Cash and cash equivalents		36,087	42,961
		321,558	386,304
Current liabilities			
Trade and other payables	12	106,771	101,781
Contract liabilities		4,375	9,368
Borrowings	13	103,301	130,001
Lease liabilities		13,489	19,908
Current income tax liabilities		8,029	9,555
		235,965	270,613
Net current assets		85,593	115,691
Total assets less current liabilities		401,590	489,621

	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Non-current liabilities		
Amount due to a non-controlling shareholder of a subsidiary	4,445	4,593
Borrowings	–	1,789
Lease liabilities	10,227	22,082
Deferred income tax liabilities	10,416	11,642
	<u>25,088</u>	<u>40,106</u>
NET ASSETS	<u>376,502</u>	<u>449,515</u>
EQUITY		
Share capital	3,853	3,853
Reserves	307,554	388,387
Equity attributable to owners of the Company	311,407	392,240
Non-controlling interests	65,095	57,275
TOTAL EQUITY	<u>376,502</u>	<u>449,515</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 213, 2/F, Block 2, 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 Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

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

The Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are principally engaged in the provision of multi-media advertising services, printing and distribution of magazines, provision of advertising related services, artwork trading and related services and restaurant operation.

2. PRIOR YEAR ADJUSTMENT AND ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Prior Year Adjustment

Consolidation and business combination

Based on full facts and circumstances available to the management of the Company (the “**Management**”) in February 2021, they considered that the acquisition of Art Review Ltd. (“**Art Review**”), a 85%-owned subsidiary of the Company and a company incorporated in the United Kingdom (the “**UK**”), should have been completed in June 2019.

During the preparation for the consolidated financial statements for the year ended 31 December 2020, the Management has reassessed the acquisition progress of Art Review. After reviewing all relevant acquisition completion documents, the Management considered that the Group has been able to exercise control over Art Review in accordance with IFRS 10 Consolidated Financial Statements upon the completion of acquisition in June 2019. As a result, the Management has made a restatement in the comparative figures to effect the business combination from June 2019 in accordance with IFRS 3 (Revised) Business Combinations.

The following tables disclose the restatement that has been made in order to reflect the above correction to each of the line items in the consolidated statement of profit or loss and other comprehensive income as previously reported for the year ended 31 December 2019 and consolidated statement of financial position as at 31 December 2019 as previously reported:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	As previously reported RMB'000	Effect of prior year's adjustment RMB'000	As restated RMB'000
Revenue	446,065	2,535	448,600
Cost of sales	<u>(239,762)</u>	<u>(1,558)</u>	<u>(241,320)</u>
Gross profit	206,303	977	207,280
Other income	7,023	(5)	7,018
Other gains, net	1,003	(353)	650
Distribution expenses	(87,328)	–	(87,328)
Administrative expenses	<u>(114,184)</u>	<u>(4,004)</u>	<u>(118,188)</u>
Profit from operations	12,817	(3,385)	9,432
Finance expenses	(6,480)	(50)	(6,530)
Share of losses of associates	(733)	–	(733)
Share of losses of a joint venture	(276)	–	(276)
Impairment loss on interests in associates	(1,084)	–	(1,084)
Impairment loss on interest in a joint venture	<u>(530)</u>	<u>–</u>	<u>(530)</u>
Profit before tax	3,714	(3,435)	279
Income tax expenses	<u>(1,507)</u>	<u>–</u>	<u>(1,507)</u>
Profit/(loss) for the year	<u>2,207</u>	<u>(3,435)</u>	<u>(1,228)</u>
Other comprehensive expenses, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries	(1,844)	308	(1,536)

	As previously reported RMB'000	Effect of prior year's adjustment RMB'000	As restated RMB'000
Items that will not be subsequently reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income			
– net movement in fair value reserve (non-recycling)	<u>(2,403)</u>	<u>–</u>	<u>(2,403)</u>
Other comprehensive expenses for the year	<u>(4,247)</u>	<u>308</u>	<u>(3,939)</u>
Total comprehensive expenses for the year	<u>(2,040)</u>	<u>(3,127)</u>	<u>(5,167)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company	361	(2,996)	(2,635)
Non-controlling interests	<u>1,846</u>	<u>(439)</u>	<u>1,407</u>
	<u>2,207</u>	<u>(3,435)</u>	<u>(1,228)</u>
Total comprehensive expenses for the year attributable to:			
Owners of the Company	(3,264)	(2,715)	(5,979)
Non-controlling interests	<u>1,224</u>	<u>(412)</u>	<u>812</u>
	<u>(2,040)</u>	<u>(3,127)</u>	<u>(5,167)</u>
Earnings/(loss) per share			
– Basic (RMB per share)	<u>0.0008</u>	<u>(0.0069)</u>	<u>(0.0061)</u>
– Diluted (RMB per share)	<u>0.0008</u>	<u>(0.0069)</u>	<u>(0.0061)</u>

Consolidated statement of financial position as at 31 December 2019

	As previously reported <i>RMB'000</i>	Effect of prior year's adjustment <i>RMB'000</i>	As restated <i>RMB'000</i>
Non-current assets			
Property, plant and equipment	163,258	374	163,632
Right-of-use assets	39,301	1,882	41,183
Investment properties	37,640	—	37,640
Intangible assets	58,766	6,931	65,697
Goodwill	43,091	8,546	51,637
Software development in progress	2,885	—	2,885
Interests in associates	2,350	—	2,350
Interests in a joint venture	—	—	—
Equity investments at fair value through other comprehensive income	549	—	549
Prepayment for property, plant and equipment	7,472	—	7,472
Prepayment for acquisition of a subsidiary	919	(919)	—
Deferred income tax assets	885	—	885
	<u>357,116</u>	<u>16,814</u>	<u>373,930</u>
Current assets			
Inventories	50,748	—	50,748
Trade and other receivables	293,349	(754)	292,595
Cash and cash equivalents	42,581	380	42,961
	<u>386,678</u>	<u>(374)</u>	<u>386,304</u>

	As previously reported RMB'000	Effect of prior year's adjustment RMB'000	As restated RMB'000
Current liabilities			
Trade and other payables	89,802	11,979	101,781
Contract liabilities	9,368	–	9,368
Borrowings	130,001	–	130,001
Lease liabilities	19,300	608	19,908
Current income tax liabilities	9,555	–	9,555
	<u>258,026</u>	<u>12,587</u>	<u>270,613</u>
Net current assets	<u>128,652</u>	<u>(12,961)</u>	<u>115,691</u>
Total assets less current liabilities	<u>485,768</u>	<u>3,853</u>	<u>489,621</u>
Non-current liabilities			
Amount due to a non-controlling shareholder of a subsidiary	–	4,593	4,593
Borrowings	1,789	–	1,789
Lease liabilities	20,770	1,312	22,082
Deferred income tax liabilities	10,365	1,277	11,642
	<u>32,924</u>	<u>7,182</u>	<u>40,106</u>
NET ASSETS	<u><u>452,844</u></u>	<u><u>(3,329)</u></u>	<u><u>449,515</u></u>
EQUITY			
Share capital	3,853	–	3,853
Reserves	<u>391,102</u>	<u>(2,715)</u>	<u>388,387</u>
Equity attributable to owners of the Company	394,955	(2,715)	392,240
Non-controlling interests	<u>57,889</u>	<u>(614)</u>	<u>57,275</u>
TOTAL EQUITY	<u><u>452,844</u></u>	<u><u>(3,329)</u></u>	<u><u>449,515</u></u>

Adoption of New and Revised International Financial Reporting Standards

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) 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 year 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.

3. REVENUE AND SEGMENT INFORMATION

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

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on revenue and adjusted EBITDA without allocation of depreciation, amortisation, finance expenses, share of post-tax losses of associates and a joint venture, impairment loss on interests in associates and a joint venture, change in fair value of investment properties, impairment loss on goodwill, loss on disposal of a subsidiary 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, investments at fair value through profit or loss, cash and cash equivalents and corporate and unallocated assets are not considered to be segment assets but rather are managed by the treasury function.

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

The Group has two (2019: two) reportable segments as described below, which are the Group's strategic business units. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit/loss of each operating segment. Segment information below is presented in a manner consistent with the way in which information is reported internally for the purposes of resource allocation and performance assessment. The following describes the operations in each of the Group's reportable segments:

- Print media and art platform (previously known as print media and art): this segment engages in the sale of advertising space in the publication of and the distribution of the Group's magazines and periodicals; and artwork trading and auction, art exhibition and education and revenue from restaurant operation.
- Digital platform (previously known as digital media): this segment is a digital media platform in which the Group publishes multiple digital media products and sells advertising spaces; and engages in the production of customised contents for brand advertisers.

(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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Reportable segment:		
– Print media and art platform	180,112	266,749
– Digital platform	131,392	187,221
	311,504	453,970
Revenue derived from other operations	2,609	3,616
Less: sales taxes and other surcharges	(985)	(8,986)
	313,128	448,600
Types of goods or services:		
– Advertising income	241,977	339,972
– Production, event and service income	51,004	68,449
– Sales of artworks and goods	37	20,768
– Circulation and subscription income	12,970	12,296
– Revenue from restaurant operation	5,103	4,909
– Rental income	2,037	2,206
	313,128	448,600
Timing of revenue recognition under IFRS 15:		
– At a point in time	5,140	25,677
– Over time	305,951	420,717
	311,091	446,394
Rental income	2,037	2,206
	313,128	448,600

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2020 and 2019 were set out as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Reportable segment results:		
– Print media and art platform	(54,555)	25,869
– Digital platform	36,924	28,673
	(17,631)	54,542
Revenue derived from other operations	2,609	3,616
Depreciation	(24,933)	(30,986)
Amortisation	(12,331)	(14,513)
Finance expenses	(6,907)	(6,530)
Share of post-tax losses of associates	(1,236)	(733)
Share of post-tax losses of a joint venture	–	(276)
Impairment loss on interests in associates	(1,178)	(1,084)
Impairment loss on interest in a joint venture	–	(530)
Impairment loss on goodwill	(5,809)	(800)
Loss on disposal of a subsidiary	(2,951)	–
Change in fair value of investment properties	60	260
Unallocated head office and corporate expenses	(1,467)	(2,687)
(Loss)/profit before income tax	(71,774)	279
	Depreciation <i>RMB'000</i>	Amortisation <i>RMB'000</i>
	Finance expenses <i>RMB'000</i>	
Year ended 31 December 2020		
Reportable segment		
– Print media and art platform	19,044	710
– Digital platform	5,889	11,621
	24,993	12,331
	6,907	
Year ended 31 December 2019		
Reportable segment (Restated):		
– Print media and art platform	27,354	997
– Digital platform	3,632	13,516
	30,986	14,513
	6,530	

(c) Total assets

	2020 RMB'000	2019 <i>RMB'000</i> (Restated)
Reportable segment:		
– Print media and art platform	212,149	293,976
– Digital platform	267,135	304,285
	479,284	598,261
Corporate and unallocated assets	8,417	9,133
Investment properties	37,700	37,640
Interests in associates	–	2,350
Equity investments at fair value through other comprehensive income	–	549
Deferred income tax assets	–	885
Other receivables	50,760	68,455
Investments at fair value through profit or loss	25,307	–
Cash and cash equivalents	36,087	42,961
Total assets	637,555	760,234

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

	2020 RMB'000	2019 <i>RMB'000</i> (Restated)
Reportable segment:		
– Print media and art platform	3,813	81,802
– Digital platform	2,853	39,736
	6,666	121,538

(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, prepayments for property, plant and equipment and prepayment for acquisition of a subsidiary ("**specified non-current assets**") are mainly in the PRC, Hong Kong and the UK as at 31 December 2020 and 2019.

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

Specified non-current assets by geographical location as at 31 December 2020 and 2019 are as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
The PRC	213,342	254,058
Hong Kong	81,160	95,480
The UK	21,495	22,958
	<u>315,997</u>	<u>372,496</u>

Revenue by geographical location for the years ended 31 December 2020 and 2019 were as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
The PRC	268,436	377,252
Hong Kong	28,566	56,422
The UK	16,126	14,926
	<u>313,128</u>	<u>448,600</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Customer A	35,343	58,326
Customer B	31,480	N/A*

- * The revenue from Customer B contributed not over 10% of the Group's revenue for print media and art platform and digital platform segment in 2019, therefore the amount is not disclosed.

4. OTHER INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
PRC government subsidies (<i>Note a</i>)	1,421	2,882
Compensation of operating profit guarantee (<i>Note b</i>)	–	3,774
Bank interest income	128	34
Investments at fair value through profit and loss interest income	19	–
Others	5	328
	<u>1,573</u>	<u>7,018</u>

Note a: PRC government subsidies represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

Note b: During the year ended 31 December 2019, the Group was entitled to receive a profit guarantee compensation amounting to RMB3,774,000, net of value-added tax, from Mr. Li Jian, a director of the Group in relation to an operating profit guarantee arrangement on a business unit of the Group provided by him. According to the arrangement, the Group has the right to be compensated with the shortfall between the target and operation profits of that business unit for the year ended 31 December 2019.

5. OTHER (LOSS)/GAINS, NET

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (audited)
Change in fair value of investment properties	60	260
Net loss on disposal of property, plant and equipment	(125)	–
Exchange differences	130	321
Net (loss)/gain on modification of leases	(137)	69
	<u>(72)</u>	<u>650</u>

6. FINANCE EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Lease interests	1,644	1,830
Interest expenses on:		
– Secured bank borrowings	4,181	3,887
– Other unsecured borrowings	1,082	813
	<u>6,907</u>	<u>6,530</u>

7. INCOME TAX (CREDIT)/EXPENSES

Income tax has been recognised in consolidated profit or loss as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Current income tax – Hong Kong Profits Tax		
Provision for the year	–	651
Over-provision in prior years	(736)	–
Current income tax – PRC Corporate Income Tax		
Provision for the year	–	687
(Over)/under-provision in prior years	(770)	104
Deferred income tax	<u>(293)</u>	<u>65</u>
	<u>(1,799)</u>	<u>1,507</u>

No provision for Hong Kong Profits Tax has been made since the Group has sufficient tax losses brought forward to set off against current year's assessable profit or did not generate any assessable profits for the year ended 31 December 2020. Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2019. No provision for PRC Corporate Income Tax has been made since the Group has sufficient tax losses brought forward to set off against current year's assessable profits or did not generate any assessable profits for the year ended 31 December 2020. PRC Corporate Income Tax has been provided at a rate of 25% on the estimated assessable profit for the year ended 31 December 2019. No provision for UK Corporation Tax has been made since the Group did not generate any assessable profits for the years ended 31 December 2020 and 2019.

The reconciliation between the income tax (credit)/expenses and the product of (loss)/profits before tax multiplied by the applicable tax rates is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
(Loss)/profit before tax	<u>(71,774)</u>	<u>279</u>
Tax calculated at statutory tax rate of 25%	(17,944)	70
Tax effect of		
– effect of differential tax rate on income	3,223	1,577
– non-deductible expenses	3,500	1,921
– non-taxable income	(399)	(294)
– utilisation of previously unrecognised tax losses	(1,274)	(8,126)
– tax losses not recognised	11,997	5,057
– income tax on dividends and service charge	–	687
– adjustment in respect of prior years	(1,506)	104
– tax effect of associates and joint venture's results and impairment loss	604	656
– tax effect of two-tiered profits tax rates regime	<u>–</u>	<u>(145)</u>
Income tax (credit)/expenses	<u>(1,799)</u>	<u>1,507</u>

8. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is stated after charging the following:

	2020 RMB'000	2019 <i>RMB'000</i> (Restated)
Cost of artworks sold	22	7,520
Cost of restaurant operation	1,487	2,691
Staff costs (including Directors' emoluments)		
– Salaries, wages and other benefits	86,676	123,473
– Pension costs-defined contribution plans	8,558	22,645
– Termination benefits	2,813	4,214
Less: amount capitalised to software development in progress	–	(8,880)
	98,047	141,452
Impairment loss on goodwill	5,809	800
Impairment loss on other receivables	1,797	–
Amortisation of intangible assets	12,331	14,513
Depreciation of property, plant and equipment and right-of-use assets	26,882	31,300
Net loss on disposal of property, plant and equipment	125	–
Loss on disposal of a subsidiary	2,951	–
Auditors' remuneration		
– Audit services	1,180	1,666
– Non-audit services	100	250
ECL allowance for trade receivables recognised/ (reversed), net	1,445	(228)
Expenses related to short-term leases	5,129	5,672

9. DIVIDENDS

The Board of Directors does not recommend the payment of any dividend for the years ended 31 December 2020 and 2019.

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Loss		
Loss for the year for the purpose of calculating basic and diluted earnings per share	<u>(78,267)</u>	<u>(2,635)</u>
Number of shares	<i>'000</i>	<i>'000</i>
Issued ordinary shares as at 1 January	438,353	438,353
Weighted average number of shares held for Share Award Scheme	–	(5,376)
Weighted average number of treasury shares held	<u>(6,359)</u>	<u>(436)</u>
Weighted average number of ordinary shares in issue	<u>431,994</u>	<u>432,541</u>

The basic and diluted loss per share for the years ended 31 December 2020 and 2019 were the same as the Company had no dilutive potential ordinary shares in issue during both years.

11. TRADE AND OTHER RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Trade receivables	151,217	215,868
Less: ECL allowance of trade receivables	<u>(7,703)</u>	<u>(7,045)</u>
Trade receivables, net	143,514	208,823
Other receivables:		
Value-added tax recoverable	16,620	16,740
Prepayments	21,125	29,742
Printing deposits	11,416	13,880
Rental, utility and other deposits	6,064	8,176
Advances and loans to employees (<i>note</i>)	7,519	3,407
Amount due from directors (<i>note</i>)	–	8,651
Amount due from a senior management (<i>note</i>)	1,236	1,838
Tax recoverable	24	–
Others	<u>6,939</u>	<u>8,810</u>
	<u>214,457</u>	<u>300,067</u>
Less: non current portion:		
Prepayment for property, plant and equipment	<u>(9,015)</u>	<u>(7,472)</u>
Current portion	<u><u>205,442</u></u>	<u><u>292,595</u></u>

Note: The amounts due from directors/a senior management and advances and loans to employees are unsecured, interest-free and repayable on demand.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Trade receivables, gross		
Within 30 days	43,813	88,419
Over 30 days and within 90 days	44,837	64,686
Over 90 days and within 180 days	25,840	38,059
Over 180 days and within 1 year	12,193	13,380
Over 1 year and within 2 years	19,779	6,245
Over 2 years and within 3 years	1,724	294
Over 3 years	3,031	3,785
	151,217	215,868

12. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Trade payables	56,451	42,640
Other payables:		
Accrued taxes other than income tax (<i>note a</i>)	6,151	7,558
Accrued expenses (<i>note b</i>)	12,834	22,034
Salaries, wages, bonus and benefits payable	16,330	1,409
Consideration payable for acquisition of a subsidiary	6,088	15,430
Amount due to a director (<i>note c</i>)	3,485	272
Other liabilities	3,921	10,874
Amount due to a related company (<i>note d</i>)	1,511	1,561
	<u>106,771</u>	<u>101,781</u>

The ageing analysis of the trade payables of the Group, based on the invoice dates, is as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i> (Restated)
Within 30 days	19,097	25,360
Over 30 days and within 90 days	12,083	8,896
Over 90 days and within 180 days	14,702	3,397
Over 180 days	10,569	4,987
	<u>56,451</u>	<u>42,640</u>

Note a: Accrued taxes other than income tax mainly consist of value-added tax payables, surtax payables and related surcharges, and individual income tax payables.

Note b: Accrued expenses mainly represents accrued advertising production expenses, accrued license fee, accrued office expenses and accrued marketing and promotion expenses.

Note c: Amount due to a director is unsecured, interest-free and repayable on demand.

Note d: The related company is owned by and controlled by Mr. Shao Zhong (“**Mr. Shao**”).

13. BORROWINGS

The analysis of the carrying amount of borrowings is as follows:

	2020 RMB'000	2019 <i>RMB'000</i> (Restated)
Secured bank borrowings	98,244	109,697
Unsecured other borrowings	5,057	22,093
	<u>103,301</u>	<u>131,790</u>
Total borrowings	<u>103,301</u>	<u>131,790</u>
The borrowings are repayable as follows:		
Within one year or on demand	103,301	130,001
In the second to third years, inclusive	<u>–</u>	<u>1,789</u>
	<u>103,301</u>	<u>131,790</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(103,301)</u>	<u>(130,001)</u>
Amount due for settlement after 12 months	<u>–</u>	<u>1,789</u>

The average interest rates at 31 December
were as follows:

	2020	2019
Secured bank borrowings	2.25% – 4.6%	2.25% – 5.7%
Other unsecured borrowings	5%	5%

Borrowings of RMB15,057,000 (2019: RMB37,093,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at 31 December 2020, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of RMB130,311,000 (including in investment properties of RMB37,700,000 and property, plant and equipment of RMB92,611,000) (2019: RMB137,560,000 (including in investment properties of RMB37,640,000 and property, plant and equipment of RMB99,920,000)) and/or was guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company.

As at 31 December 2020, the other borrowings due to a director is unsecured, repayable within one year and bears interest at fixed rate of 5% per annum.

During the year, the Group has violated several covenants attached to the interest-bearing borrowings. Breaches in meeting the covenants would permit the bank to immediately call borrowings.

SUMMARY OF MANAGEMENT DISCUSSION AND ANALYSIS ON PERFORMANCE

The platform economy has become a growth point in China's new economy. By leveraging its four major media platforms in fashion, culture, art and business, and through three-dimensional integration and restructuring of resources, the Group strives to keep up with the times, constantly expands and innovates its business model, and further expands and improves the transformation and upgrading from print media to digital platform and then to art platform, moreover, the Group has strengthened the expansion of digital platform, especially art platform, and strived to bring new opportunities and growth points for the Group in the future. The art platform has expanded the art bonded warehousing, logistics and trade business with more broad commercial prospects. The Group purchased and established art trading bases and exhibition sales centers in Beijing Tianzhu Comprehensive Free Trade Zone, further enhancing the competition and market of art trade Share.

The outbreak of coronavirus pandemic ("COVID-19") in early 2020 has had a negative impact on the global economy. COVID-19 has caused a number of operational delays and disruptions to the Group's business and operations, including but not limited to working from home, and the social distancing policy has also caused delays or cancellations in a number of business meetings, opening exhibitions and sales activities, resulting in delayed delivery of recorded projects and signing of new contracts. Under this significant impact, the Group recorded a loss RMB71,590,000 in the first half of 2020, representing an increase of 106.9% over the same period of the previous year. In response to the impact of the epidemic, the Group actively took measures to vigorously promote the digital platform business and the art platform business, and with the upward effective cost control measures, the Group achieved a net profit of RMB1,615,000 in the second half of 2020, and its operating conditions have been steadily improved.

The segment results for 2020 are as follows:

	Print Media and Art Platform <i>RMB'000</i>	Digital Platform <i>RMB'000</i>	Total <i>RMB'000</i>
2020			
Reportable segment revenue	180,112	131,392	311,504
Reportable segment (loss)/profit	(89,139)	16,729	(72,410)
Segment EBITDA	(54,555)	36,924	(17,631)
	(Restated)	(Restated)	(Restated)
2019			
Reportable segment revenue	266,749	187,221	453,970
Reportable segment (loss)/profit	(8,454)	11,160	2,706
Segment EBITDA	25,869	28,673	54,542

Regarding the segment results, affected by outbreak of the COVID-19 pandemic in 2020, the results of each sector of the Company decreased by varying degrees compared with the same period in 2019. The segment revenue of print media and art platform decreased by 32.5% and revenue from the digital platform decreased by 29.8%, leading to a loss of RMB72,410,000 against a profit of RMB2,706,000 in the previous year.

Benefiting from the effective cost control measures implemented during the second half of 2020 in response to the COVID-19 pandemic, operation of sophisticated Apps and the expansion of its video business, as well as taking advantages of its economic of scale and artistic strength, the profit of the digital platform sector increased by 49.9% compared with 2019, and EBITDA increased by 28.8% compared with 2019.

BUSINESS REVIEW

Digital platform sector

At the end of the year, the “iWeekly” had accumulated approximately 14,939,000 users on smartphone and tablet PC. “iWeekly” continuously upgrades its content by incorporating the selected contents from multiple famous international media brands, which enriched its globalised contents and further enlarged the reader base and increased their adherence. “iWeekly” continued to be recognised as one of the most successful media applications in Chinese by Apple and Android platforms. “iWeekly” was also incorporated with an enhanced “daily news radio broadcast” function, the improvement is expected to enhance user frequency and to develop reader loyalty to the App.

“INSTYLE iLady” continued to be a comprehensive and informative platform for elite women. It has already accumulated more than approximately 7,305,000 users as at the end of 2020. 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 the future, “INSTYLE iLady” will continue to utilise the influence of social media to create more interactions with users and continuously enhance its recognition and popularity in the market.

At the end of 2020, “Bloomberg Businessweek” also successfully raised the number of its smartphone and tablet PC users to approximately 12,877,000 people. “Bloomberg Businessweek” was selected as one of App Store’s best Apps of 2019. The iPhone version of “Bloomberg Businessweek” is among the best-selling newspapers on App Store newsstand and has been at the top of the list since 2015. In addition, with the high- quality content of Apps and boosted recognition among business elites, the team of “Bloomberg Businessweek” 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. In 2020, during the U.S. presidential election, “Bloomberg Businessweek” published more than 180 articles on the election, the App hit 3 million clicks and more than 600,000 App users were online on the peak day (November 4), which is three times the number of advertisements published in 2020. On the other hand, the WeChat article of “US presidential election begins to reveal the number of votes, the worst result is……” “created a good result with more than 200,000 reading

hits. Through the frequent notifications of hot events and the sharp increase of traffic, the marketing of Bloomberg Businessweek platform has been facilitated, and more advertising cooperation with new customers has been achieved. At the same time, the official App of “Bloomberg Businessweek” set up the live broadcast column of “Bloomberg Businessweek takes you to the Expo” for the first time. The chief editor personally led a number of reporters to conduct intensive and professional interviews and reports at the Expo, which won the praise of many exhibitors.

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 approximately 4,500,000 cumulative downloads by the end of 2020. In 2020, “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.

From “iWeekly”, which is approaching 15,000,000 users, to “INSTYLE iLady”, to “Bloomberg Businessweek”, 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, and 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, Modern Media has established a strategic partnership with the world-renowned art and design museum, Victoria & Albert Museum, for its V&A studio opened in London, which has also set up the Modern Media Gallery in the V&A Image Centre.

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

Print media sector

The Group mainly publishes weekly/bi-weekly and monthly/bi-monthly magazines in the PRC and Hong Kong. The contents 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”, continued to be one of the favourite 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” has been well received by the fashion industry, the film industry and the brand customers. The reader’s club of “INSTYLE”, “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. In 2020, 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.

“Bloomberg Businessweek”, 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” (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” (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 2021 and in the future.

(A) BUSINESS OUTLOOK

The COVID-19 outbreak in China and other regions of the world will continue to pose significant economic and operational challenges. The Group remains on high alert for the operational impact of the outbreak and takes any necessary measures to mitigate the impact. In 2021, the Group will continue to actively expand its customer base and identify potential investment opportunities and other business opportunities, expand innovative business models, further expand and improve the transformation and upgrade from print media sector to digital platform sector and to art platform sector. The Group keeps pace with the times through the integration and reorganisation of resources to further expand the development of innovative business, and strives to build a new media business model that integrates online and offline platforms by combining print, digital and spatial experience, thereby bringing new opportunities and growth points to the Group.

The digital platform continues to be the growth engine of our business. The Group acquired an international video platform “Nowness” in 2017, which is an influential media in the fashion industry. The website won several international video awards in the past few years. By actively producing videos with refined and distinctive contents, the Group aims at attracting and raising the number of downloads in the Greater China and South East Asia. In addition, the Group had launched the “Nowness” App in 2019, the huge traffic to the website and the App will definitely attract significant growth in brand advertising in the coming years. Moreover, the Group will continue to utilise the brand of “Nowness” to develop a series of extended businesses, including opening brand experience stores, launching derived products, establishing theme restaurants, organising recording-related courses and so on, in order to explore different sources of income. The Group will also explore the practicability of adding a function in the website so that customers can immediately purchase after preview, and will gradually develop assisted purchase on e-commerce. The Group expects the digital platform to achieve satisfactory performance in 2021.

Businesses of the art platform sector will gradually develop in other first-tier cities in the PRC such as Beijing, Guangzhou and Shenzhen, and becomes an important source of power for the Group’s future profit growth. Art platform sector businesses will be extended to the operation of art exhibition, high-tech art club, art education, art travel, art derivatives, etc.

The Group acquired in 2019 a majority of shareholding in “ArtReview” and “ArtReview Asia” which are both internationally authoritative art platforms with 70 years of history. The Group supports the innovation and development of “ArtReview” and “ArtReview Asia”, especially in the expansion of their art platform sector, and will also jointly engage in forums and exhibitions in the art fields, as well as cross-regional and interdisciplinary collaborations. The Power 100 (藝術力量百人榜), organised by “ArtReview”, is an authoritative ranking of the most influential figures in the international contemporary art world. It has been successfully held for 19 sessions so far, and the Group will continue to support the release of this year’s list.

The Group continues to focus on the development of innovative businesses and is committed to creating a new media business model by integrating print media platform with digital platform and art platform to create a new integrated platform integrating online and offline platforms. As the first membership-based cultural and artistic complex project, ZiWU has started its trial operation in Shanghai. The businesses include artistic restaurant, artistic photography store, membership book store, art gallery and art education classes. It links the online subscribers and offline readers with an innovative membership service system, connects space and creative content with brand new retail categories like magazine-subject derivative products, artistic photography products, designer cross-over products and the new profit mode developed from art consumer goods, which creates a new paradise “Nest” for urban cultural omnivores. ZiWU is actually a conception of integrating print, online and space magazines, which is a three-dimensional, experiential, mobile, interactive and networked commercial practice of the magazine’s contents by curation. The Group acquired 51% interest in Shanghai Shangzhao Group in 2019. Shanghai Shangzhao Group is principally engaged in the operation of galleries and cafes, organisation of photography exhibitions, operation of online shops and physical stores for sales of photography artworks, all under the “BROWNIE” brand in the PRC. The management believes that by working with Shanghai Shangzhao and the “BROWNIE” brand, the Group could achieve synergy effects, as well as exploring the new commercial model for cultural convenient stores to create a new business platform for cultural enthusiasts by developing forms such as ZiWU.

Looking ahead, the management believes that by deepening the implementation of the new media 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 27 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.

(B) FINAL DIVIDEND

To preserve more financial resources in response to the market stagnancy, the Directors do not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

(C) PRIOR YEAR ADJUSTMENT

In preparing the consolidated financial statements of the Group for the year ended 31 December 2020, the Management has restated certain figures of the previously issued consolidated figures. The restatement made relates to the recognition of Art Review, a 85%-owned subsidiary of the Company in the UK where the Management considered that its acquisition should have been completed in June 2019. The Group entered into a sale and purchase agreement (the “SPA”) for the acquisition of Art Review (the “**Acquisition**”) and paid £ 100,000 (12.5% and equivalent to approximately RMB879,000) deposit in May 2019. The Board and the Audit Committee initially were of the view that since the remaining consideration of £ 700,000 (87.5% and equivalent to approximately RMB6,154,000) for the Acquisition was not yet been paid as at 31 December 2019, the payment of deposit was recorded as a prepayment in the consolidated statement of financial position of the Group as at 31 December 2019 and Art Review was not regarded as a subsidiary of the Group for the year ended 31 December 2019. However, due to the COVID-19 pandemic and lockdown restrictions in the UK and the change of accounting in charge of Art Review, the Group experienced communication problem with Art Review and could not ascertain status of the Acquisition. In February 2021, based on the full facts and circumstances available to the Group during the audit of the financial statements of the Group for the year ended 31 December 2020, the Board and the Audit Committee are of the view that it is more justified that Art Review should have been included as a subsidiary of the Group for the year ended 31 December 2019 because the SPA was entered and the share transfer documents were stamped and completed in June 2019, representatives of the Group were appointed as additional board members of Art Review in June 2019 and the change of significant controller of Art Review to the Company with effect from 30 June 2019 was registered in December 2020. Although the consideration of the Acquisition has not been fully paid, the Board and the Audit Committee having considered the above factors considered that under the applicable accounting principle and under the concept of substance over form (i.e. the Group became the substantial shareholder and able to exercise control over Art Review), Art Review should have been regarded as a subsidiary of the Company since June 2019. For details of effect of such prior year adjustment on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and consolidated statement of financial position as at 31 December 2019, please refer to note 2 of the results announcement above.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group recorded a net cash inflow in operating activities of approximately RMB60,758,000 (2019: RMB45,179,000). The Group recorded a net cash outflow in investing activities of approximately RMB25,603,000 (2019: RMB26,095,000). The cash outflow of the Group from financing activities amounted to RMB45,536,000 (2019: inflow RMB5,959,000).

Borrowings and gearing ratio

As at 31 December 2020, the Group's outstanding borrowings was approximately RMB103,301,000 (2019: RMB131,790,000). The total borrowings comprised secured bank loans of approximately RMB98,244,000 (2019: RMB109,697,000) and other unsecured borrowings of approximately RMB5,057,000 (2019: RMB22,093,000). The gearing ratio as at 31 December 2020 was 14.8% (31 December 2019: 22.5%), which was calculated based on the net debt divided by total capital at the end of the year and multiplied by 100%. Net debt is calculated as total borrowings less cash and cash equivalents and investments at fair value through profit or loss. Total borrowings include borrowings and lease liabilities. Total capital is calculated as "equity" as shown in the consolidated financial statements plus net debt.

CAPITAL EXPENDITURE AND COMMITMENT

Capital expenditure of the Group for the year included expenditure on purchase of new office property, maintenance of leased properties, and prepayments for property, plant and equipment of approximately RMB4,451,000 (2019: purchase of new office property, maintenance of leased properties, payments for software development in progress and prepayments for property, plant and equipment of approximately RMB15,807,000).

Saved as disclosed as above, the Group have a capital commitment of purchasing of property, plant and equipment amounting to RMB 2,340,000 (2019: RMB3,303,000) as at 31 December 2020.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks the Group's major printing supplier to secure the banking facilities and printing credit line respectively, as at 31 December 2020 and 2019, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2020, bank borrowings were secured by certain properties of the Group with aggregate carrying amount of RMB130,311,000 (including in investment properties of RMB37,700,000 and property, plant and equipment of RMB92,611,000) (2019: RMB137,560,000 (including in investment properties of RMB37,640,000 and property, plant and equipment of RMB99,920,000)) and/or was guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company.

FOREIGN CURRENCY RISK

The Group mainly operates in the PRC, Hong Kong and the UK and majority of the transactions are denominated and settled in Renminbi ("RMB"), Hong Kong dollars ("HK\$") or Great British Pounds ("GBP"), being the functional currency of the group entities to which the transactions relate. Currency risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As at 31 December 2020 and 2019, the Group did not have significant foreign currency risk from its operations.

EMPLOYEES

As at 31 December 2020, the Group had a total of 414 staff (2019: 488 staff), total staff costs (including Directors' remuneration) recognised in profit or loss were approximately RMB98,047,000 (2019: RMB141,452,000). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee of the Company. The reduction in head counts was due to the rationalization of human resource structure in order to improve the corporate efficiency.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

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

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. As corporate governance requirements change from time to time, the Board periodically reviews its corporate governance practices to meet the rising expectations of shareholders and to comply with increasingly stringent regulatory requirements. In the opinion of the Directors, the Company applied the principles and complied with the relevant code provisions in the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Corporate Governance Code. The Company is of the view that it is in the best interest of the Company to let Mr. Shao, 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.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Group's auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor on this announcement.

PUBLICATION OF THE AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement of the Company for the year ended 31 December 2020 is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.modernmedia.com.cn) respectively. The Company's 2020 annual report containing all the information as required by the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company on or before 31 May 2021.

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

Hong Kong, 30 April 2021

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, Dr. GAO Hao, Mr. YICK Wing Fat, Simon and Ms. WEI Wei.