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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)

MAJOR TRANSACTIONS**SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS**

Capitalised terms used in this cover page shall, unless the context requires otherwise, have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out on pages 1 to 8 of this circular.

The First Subscription, the Second Aggregated Transaction and the transactions contemplated thereunder have been approved by way of written shareholders’ approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is despatched to the Shareholders for information only.

12 November 2021

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This circular is prepared in both English and Chinese. In the event of inconsistency, the English text of this circular shall prevail for the purpose of interpretation.

DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcement of the Company dated 15 October 2021
“Board”	the board of Directors of the Company
“Chairman”	the chairman of the Board
“China Industrial Bank”	Industrial Bank Co. Ltd.* (興業銀行股份有限公司)
“China Industrial Bank Group”	collectively (and for the purpose of this circular), China Industrial Bank and CIB Finance
“CIB Finance”	Industrial Bank Finance Co. Ltd.* (興銀理財有限責任公司), a direct wholly-owned subsidiary of China Industrial Bank
“Company”	Modern Media Holdings Limited 現代傳播控股有限公司, a company incorporated under the laws of the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 72)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“First Subscription”	the subscriptions of (i) WM Product #1 with an aggregate amount of RMB18,800,000 and (ii) WM Product #2 with an aggregate amount of RMB6,488,000 made by the Group during 22 to 23 December 2020, details of which are set out in the section headed “Introduction” in the “Letter from the Board” of this circular
“GMIM”	Guangzhou Modern Information Media Co., Ltd.* (廣州現代資訊傳播有限公司), a company established under the laws of the PRC and its financial results have been consolidated and accounted for as a wholly-owned subsidiary of the Company by virtue of a series of contractual arrangements
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Third Party(ies)”	person(s) or company(ies) which is/are not connected person(s) (as defined in the Listing Rules) of the Company
“Latest Practicable Date”	8 November 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 to the Listing Rules
“Mr. Shao”	Mr. Shao Zhong, an executive Director and the Chairman, Mr. Shao is also one of the controlling shareholders of the Company
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Period”	the period from 22 December 2020 and up to 7 April 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Second Aggregated Transaction”	the Second Subscription aggregated with the subscription amounts of WM Product #2 under the First Subscription (which remained outstanding at the time of the Second Subscription) pursuant to Rule 14.22 of the Listing Rules
“Second Subscription”	the subscription of WM Product #1 with an aggregate amount of RMB35,000,000 made by the Group on 7 April 2021, details of which are set out in the section headed “Introduction” in the “Letter from the Board” of this circular
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“SYZI”	Shenzhen Yage Zhimei Information Media Co., Ltd.* (深圳市雅格致美資訊傳播有限公司), a company established under the laws of the PRC and its financial results have been consolidated and accounted for as a wholly-owned subsidiary of the Company by virtue of a series of contractual arrangements
“WM Product #1”	“Cash Treasure – Tianli No.1” net-value wealth management product (“現金寶 – 添利1號”淨值型理財產品) issued by China Industrial Bank Group
“WM Product #2”	Tianli No.3 net-value wealth management product (添利3號淨值型理財產品) issued by China Industrial Bank Group
“WM Products”	collectively, WM Product #1 and WM Product #2
“ZMM”	Zhuhai Modern Media Co., Ltd.* (珠海現代文化傳播有限公司), a company established under the laws of the PRC and an indirect wholly-equity owned subsidiary of the Company
“%”	per cent.

* *for identification purposes only*

LETTER FROM THE BOARD



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)

Executive Directors:

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

Ms. YANG Ying

Mr. LI Jian

Mr. DEROCHE Alain, Jean-Marie, Jacques

Registered office:

Tricor Services (Cayman Islands) Limited

Second Floor, Century Yard, Cricket Square

P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

Independent non-executive Directors:

Mr. YICK Wing Fat Simon

Ms. WEI Wei

Mr. WAN Jie

Principal place of business in Hong Kong:

7/F, Global Trade Square

No. 21 Wong Chuk Hang Road

Aberdeen

Hong Kong

12 November 2021

To the Shareholders

Dear Sir/Madam

MAJOR TRANSACTIONS

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

INTRODUCTION

References is made to the Announcement in relation to the Group's subscriptions for the WM Products offered by China Industrial Bank Group during the Relevant Period.

LETTER FROM THE BOARD

The Company has obtained written Shareholder's approval, pursuant to Rule 14.44 of the Listing Rules, for the First Subscription, the Second Aggregated Transaction and the transactions contemplated thereunder from Mr. Shao, the controlling shareholder (and the Chairman and an executive Director) of the Company, who holds 327,002,000 Shares (representing approximately 74.60% of the issued share capital of the Company) as of the date of such approval. Accordingly, the written approval from Mr. Shao will be accepted in lieu of a general meeting of the Company for approving the First Subscription, the Second Aggregated Transaction and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

The purpose of this circular is to provide the Shareholders with, among other matters: (i) further information on the subscription of the WM Products; and (ii) financial information of the Group.

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

During the Relevant Period, the Group made subscriptions for the WM Products offered by China Industrial Bank Group, brief details of which are set out as follows:

First Subscription

During the period from 22 to 23 December 2020:

- ZMM and GMIM, both of which are subsidiaries of the Company, made subscriptions for WM Product #1 in the aggregate subscription amount of RMB18,800,000; and
- ZMM and SYZI, both of which are subsidiaries of the Company, made subscriptions for WM Product #2 in the aggregate subscription amount of RMB6,488,000.

By 31 January 2021 (i.e. before the Second Subscription), the entirety of the subscription amount made for WM Product #1 by ZMM and GMIM (i.e. RMB18,800,000) were fully redeemed by the Group, together with the corresponding return of investment on such subscription amount being paid to the Group.

Second Subscription

On 7 April 2021, ZMM made subscriptions for WM Product #1 in the aggregate subscription amount of RMB35,000,000.

LETTER FROM THE BOARD

As part of the Group's treasury activities, during the period from July to October 2021, the entirety of the remaining subscription amounts made for both WM Products (i.e. RMB41,488,000, comprising the subscription amount of RMB6,488,000 made for WM Product #2 in the First Subscription and the subscription amount of RMB35,000,000 made for WM Product #1 in the Second Subscription) were fully redeemed, together with all corresponding return of investment on such subscription amounts being paid to the Group. Since the date of the Announcement and up to the Latest Practicable Date, the Group did not hold the WM Products or any other wealth management products.

The principal terms of each of the WM Products are set out below:

(I) WM Product #1

Date of subscription:	(for the First Subscription)	22 to 23 December 2020
	(for the Second Subscription)	7 April 2021
Parties:	(1) <i>as subscribers:</i>	
	(for the First Subscription)	ZMM and GMIM
	(for the Second Subscription)	ZMM
	(2) <i>as issuer:</i>	China Industrial Bank Group
Name of the wealth management product:	"Cash Treasure – Tianli No.1" net-value wealth management product (“現金寶 – 添利1號”淨值型理財產品)	
Subscription amount:	(for the First Subscription)	RMB18,800,000
	(for the Second Subscription)	RMB35,000,000
Term of investment period and redemption:	There is no fixed term of investment for WM Product #1, and the Group is entitled to redeem all of the WM Product #1 that it has subscribed at any time at its own discretion. Upon redemption, the entirety of the subscription amount redeemed (together with any return of investment) will be paid to the Group on the business day immediately after the date of giving notice of redemption.	

LETTER FROM THE BOARD

Investment portfolio: Based on the information published by China Industrial Bank Group, the funds raised through this issue of wealth management product were invested in cash and deposit, bond investments (all of which are bonds issued by the PRC government) and financial assets purchased under agreements to resell.

Expected rate of investment return: The investment return is determined by China Industrial Bank Group based on the value of the underlying assets or investments as of the date of redemption.

Based on the information published by China Industrial Bank Group, the expected rate of investment return as of the respective dates of the First Subscription and the Second Subscription was both approximately 2.9% per annum.

(II) WM Product #2

Date of subscription: 22 to 23 December 2020

Parties: (1) *as subscribers*: ZMM and SYZI; and
(2) *as issuer*: China Industrial Bank Group

Name of the wealth management product: Tianli No.3 net-value wealth management product (添利3號淨值型理財產品)

Subscription amount: RMB6,488,000

Term of investment period and redemption: There is no fixed term of investment for WM Product #2, and the Group is entitled to redeem all of the WM Product #2 that it has subscribed at any time at its own discretion. Upon redemption, the entirety of the subscription amount redeemed (together with any return of investment) will be paid to the Group on the business day immediately after the date of giving notice of redemption.

Investment portfolio: Based on the information published by China Industrial Bank Group, the funds raised through this issue of wealth management product were invested in cash and deposit, bond investments (all of which are bonds issued by the PRC government) and financial assets purchased under agreements to resell.

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Expected rate of investment return: The investment return is determined by China Industrial Bank Group based on the value of the underlying assets or investments as of the date of redemption.

Based on the information published by China Industrial Bank Group, the expected rate of investment return as of the date of the First Subscription was approximately 2.9% per annum.

REASONS AND BENEFITS FOR SUBSCRIBING FOR THE WEALTH MANAGEMENT PRODUCTS

As disclosed in the Company's annual report 2020, the Group recorded a net cash inflow in operating activities of about RMB60.8 million, and a net cash outflow from financing activities of about RMB45.5 million. As part of the Group's treasury policy, its idle or surplus cash and cash equivalents available at the relevant time would be placed generally as deposits with its principal bankers to generate interests. As the interest rate of bank deposits was relatively low in late 2020 (approximately 0.3% per annum), for the purpose of utilising the Group's idle funds reasonably and enhancing the efficiency in the utilisation of such funds and bringing appropriate return to the Shareholders, the Group decided to utilise part of its idle funds to make subscriptions for the WM Products, i.e. the First Subscription. In late March 2021, the Group recorded additional idle or surplus cash and cash equivalents. Accordingly, additional amount of moneys was applied to make subscription for WM Product #1, i.e. the Second Subscription.

The WM Products were launched and managed by China Industrial Bank Group, and China Industrial Bank is one of the PRC principal bankers that has been providing various types of banking services to the Group. As there is no fixed term of investment for both WM Products, the Group is entitled to redeem all of the WM Products that it has subscribed at any time at its own discretion. Upon redemption, the entirety of the subscription amount redeemed (together with any return of investment) will be paid to the Group on the business day immediately after the date of giving notice of redemption.

As disclosed in the Announcement, as of 15 October 2021 (being the date of the Announcement), the entirety of the subscription amounts made for both WM Products (i.e. RMB60,288,000, comprising the aggregate subscription amount of RMB25,288,000 made for the WM Products in the First Subscription and the subscriptions amount of RMB35,000,000 made for WM Product #1 in the Second Subscription) were fully redeemed, together with all corresponding return of investment on such subscription amounts being paid to the Group. As a result of such redemptions, the Group received an aggregate sum of approximately RMB60,841,000, comprising the return of the aggregate subscription amounts of RMB60,288,000 made for the WM Products during the Relevant Period and a total gain of RMB553,000. Among such gain, approximately RMB19,000 was recognised under other income and gains for the year ended 31 December 2020, and the remaining balance of RMB534,000 will be recognised under other income and gains for the year ending 31 December 2021. Since the date of the Announcement and up to the Latest Practicable Date, the Group did not own any wealth management products, including the WM Products.

LETTER FROM THE BOARD

After taking into account the above factors, the Directors (including the independent non-executive Directors) are of the view that the subscription of the WM Products is fair and reasonable and in the best interests of the Company and the Shareholders taken as a whole. In such connection, the Board recommends that the Shareholders vote in favour of the relevant resolution to approve the First Subscription, the Second Aggregated Transaction and the transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

First Subscription

For the First Subscription, the consideration ratio (as defined under the Listing Rules) of the subscription amounts of WM Product #1 as aggregated with WM Product #2 (pursuant to Rule 14.22 of the Listing Rules) exceeds 25% but is less than 100%, while all other applicable percentage ratios (as defined under the Listing Rules) are less than 5%. As the consideration ratio is more than 25% but is less than 100%, the First Subscription constituted a major transaction, which is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Second Aggregated Transaction

Pursuant to Rule 14.22 of the Listing Rules, the subscription amount under the Second Subscription has to be aggregated with the total subscription amounts of WM Product #2 under the First Subscription (which remained outstanding at the time of the Second Subscription) for purpose of calculation of the relevant applicable percentage ratios (as defined under the Listing Rules) in respect of the Second Subscription (i.e. the Second Aggregated Transaction). Among these percentage ratios:

- (a) the asset ratio exceeds 5% but is less than 25%,
- (b) the consideration ratio exceeds 25% but is less than 100%, and
- (c) all other applicable percentage ratios are less than 5%.

As the consideration ratio exceeds 25% but is less than 100%, the Second Aggregated Transaction constituted a major transaction, which is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

GENERAL

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the First Subscription or the Second Aggregated Transaction, which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at a general meeting if such a general meeting were to be convened.

The Company has, on 15 October 2021, obtained written Shareholder's approval, pursuant to Rule 14.44 of the Listing Rules, for the First Subscription, the Second Aggregated Transaction and the transactions contemplated thereunder from Mr. Shao, the controlling shareholder (and the Chairman and an executive Director) of the Company, who holds 327,002,000 Shares (representing approximately 74.60% of the issued share capital of the Company) as of the date of such approval. Accordingly, no Shareholders' meeting will be held to approve the First Subscription, the Second Aggregated Transaction and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

REMEDIAL ACTIONS

Management of the Company, in good faith, considered that the WM Products had substantially similar effects with time deposits placed with banks in the Group's ordinary course of business, and the subscriptions of the WM Products were conducted only as part of the Group's treasury activities in its ordinary course of business. Management of the Company mistakenly believed that the subscriptions of the WM Products would not fall within the definition of "transaction" under Chapter 14 of the Listing Rules, and accordingly the announcement requirement and the shareholders' approval requirement under Rules 14.34 and 14.40 of the Listing Rules were not complied with in a timely manner.

The Board has adopted an internal control policy regarding transactions involving investment in wealth management products, for governing the relevant responsibilities of the Group's finance department, approval procedures for future investments and factors for risk assessment in making investment decisions regarding wealth management products.

The Board will also adopt the following measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future:

- (a) training sessions will be arranged for the Directors and senior management of the Group with the focus to remind them, in particular handling officers of the finance department, to report any transaction (which may constitute notifiable and/or connected transaction under the Listing Rules) to the Group's compliance personnel and to seek professional advice (if necessary) and also to ensure that they understand the requirements under the Listing Rules and the relevant rules and regulations; and

LETTER FROM THE BOARD

- (b) the Company will review, strengthen and continue to monitor the relevant internal control measures of the Group (including but not limited to the wealth management products investment internal control policy and contract signing procedures), in order to ensure that current and future transactions will be conducted in compliance with the applicable requirements under the Listing Rules and other relevant rules and regulations.

INFORMATION ABOUT THE GROUP AND CHINA INDUSTRIAL BANK GROUP

The Company is an investment holding company. The Group is principally engaged in publication of magazines and periodicals in Hong Kong and the PRC, the provision of advertising agency services, digital publishing business, artwork trading and auction, art exhibition and related education and restaurant operations.

China Industrial Bank Group is principally engaged in banking business. China Industrial Bank is a licensed joint-stock commercial bank established in the PRC, and CIB Finance is a wholly-owned subsidiary of China Industrial Bank. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of China Industrial Bank, CIB Finance and their controlling shareholder is an independent third party of the Company and is not a connected person of the Company.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully
By order of the Board
MODERN MEDIA HOLDINGS LIMITED
Shao Zhong
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the years ended 31 December 2018, 2019 and 2020 and the unaudited financial information of the Group for the six months ended 30 June 2021, together with the relevant notes thereto are disclosed in the relevant annual reports and interim report of the Company, which have been published and are available on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (<https://group.modernmedia.com.cn/investor/3>).

- (a) annual report of the Company for the year ended 31 December 2018 published on 26 April 2019 (page 99 to 205), available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn20190426407.pdf>;

- (b) annual report of the Company for the year ended 31 December 2019 published on 22 April 2020 (page 99 to 209), available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0422/2020042201595.pdf>;

- (c) annual report of the Company for the year ended 31 December 2020 published on 28 May 2021 (page 100 to 185), available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0528/2021052800781.pdf>; and

- (d) interim report of the Company for the six months ended 30 June 2021 published on 21 September 2021 (page 17 to 44), available on:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0921/2021092100515.pdf>.

The auditors of the Company have not issued any qualified opinion on the Group's financial statements for each of the financial years ended 31 December 2018, 2019 and 2020.

2. STATEMENT OF INDEBTEDNESS

As at 30 September 2021, being the latest practicable date for the purpose of ascertaining the indebtedness statement, the Group had the following outstanding indebtedness:

	<i>RMB'000</i>
Bank borrowings:	
– secured and guaranteed bank borrowings (<i>Note 1</i>)	113,730
– unsecured and guaranteed bank borrowings (<i>Note 2</i>)	10,000
Lease liabilities	13,520
	137,250
	137,250

Notes:

1. Bank borrowings secured by certain properties of the Group (including in investment properties and property, plant and equipment) and guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company.
2. Bank borrowings guaranteed by Mr. Shao/Mr. Shao's spouse/the Company/the subsidiaries of the Company.

Save as disclosed in this paragraph, and apart from intra-group liabilities and normal trade payables, as of the close of business on 30 September 2021, the Group did not have any (i) debt securities of the Group issued and outstanding, and authorised or otherwise created but unissued, and term loans; (ii) other borrowings or indebtedness in the nature of borrowing of the Group including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments; (iii) mortgages and charges; and (iv) any material contingent liabilities or guarantees.

3. MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account of the Group's internal resources, cash flow from operations, available credit facilities and also the effect of the transactions in relation to the WM Products, the Group has sufficient working capital to satisfy its present requirements, that is, for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the remaining months of 2021, the Group will continue to actively expand its customer base and identify potential investment opportunities and other business opportunities, as well as expand innovative business models. The Group keeps pace with the times through the integration and reorganization of resources to further expand the development of innovative business, and strives to build a new business model that integrates online and offline media 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. By actively producing videos with refined and distinctive contents through “Nowness” website and applications, the Group aims at attracting and raising the number of downloads in the Greater China and South East Asia, which will definitely attract significant growth in brand advertising in the coming years. 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 the remaining months of 2021 and the coming years.

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 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. In 2019, the Group endeavored 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 businesses of ZiWU Shanghai and Beijing Space 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. As the business of ZiWU art space gradually matures and had become highly recognisable by consumers, it became a replicable business model. To this end, the Group will establish another ZiWU art space in Shanghai in the remaining months of the year, and the Group further plans to expand such business of art space to Guangzhou in South China.

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 28 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.

6. FINANCIAL EFFECTS OF THE SUBSCRIPTION OF THE WM PRODUCTS ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

As of 15 October 2021 (being the date of the Announcement), the entirety of the subscription amounts made for both WM Products (i.e. RMB60,288,000, comprising the aggregate subscription amount of RMB25,288,000 made for the WM Products in the First Subscription and the subscriptions amount of RMB35,000,000 made for WM Product #1 in the Second Subscription) were fully redeemed, together with all corresponding return of investment on such subscription amounts being paid to the Group. As a result of such redemptions, the Group received an aggregate sum of approximately RMB60,841,000, comprising the return of the aggregate subscription amounts of RMB60,288,000 made for the WM Products during the Relevant Period and a total gain of RMB553,000. Among such gain, approximately RMB19,000 has been recognised under other income and gains for the year ended 31 December 2020, and the remaining balance of RMB534,000 will be recognised under other income and gains for the year ending 31 December 2021. Since the date of the Announcement and up to the Latest Practicable Date, the Group did not hold the WM Products or any other wealth management products.

The fair value of the WM Products amounted to RMB25,307,000 as of 31 December 2020, and the WM Products has an unaudited amount of RMB41,730,000 as of 30 June 2021.

There is no financial effect of the subscription of the WM Products on the liabilities of the Group.

A. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

B. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES**1. Interest of Directors and chief executive and short positions in shares, underlying shares and debentures**

As of the Latest Practicable Date, the Directors and chief executives 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 SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken to or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under Section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code:

(a) 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
Mr. Shao	The Company	Beneficial owner	327,002,000	74.60%
Ms. Yang Ying	The Company	Beneficial owner	110,000	0.03%
Mr. Deroche Alain, Jean-Marie, Jacques	The Company	Beneficial owner	94,000	0.02%

(b) Long positions in the associated corporations of the Company

Name of Director	Name of associated corporations	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 (<i>Note 1</i>)	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 (<i>Note 2</i>)	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 (<i>Note 3</i>)	10%
Mr. Shao	上海格致廣告有限公司(Shanghai Gezhi Advertising Co., Ltd.)* (“ Shanghai Gezhi ”)	Interest of controlled corporations (<i>Note 4</i>)	100%
Mr. Shao	上海雅格廣告有限公司(Shanghai Yage Advertising Co., Ltd.)* (“ Shanghai Yage ”)	Interest of controlled corporations (<i>Note 5</i>)	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 (<i>Note 6</i>)	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 (<i>Note 7</i>)	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 (<i>Note 8</i>)	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 (<i>Note 9</i>)	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 (<i>Note 10</i>)	100%
Mr. Shao	上海森音信息技術有限公司(Shanghai Senyin Information Technology Co., Ltd.)* (“ Shanghai Senyin ”)	Interest of controlled corporations (<i>Note 11</i>)	100%

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

Notes:

1. Beijing Yage is held as to 80% by Guangzhou Modern Information and as to 20% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporations.
2. Beijing Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Beijing Yage Zhimei held by Zhuhai Modern Zhimei which is Mr. Shao's indirect controlled corporation.
3. Guangzhou Modern Books is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Guangzhou Modern Books held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.
4. Shanghai Gezhi is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Gezhi held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.
5. Shanghai Yage is held as to 90% by Guangzhou Modern Information and as to 10% by Guangzhou Modern Books. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shanghai Yage held by Guangzhou Modern Information and Guangzhou Modern Books, both of which are Mr. Shao's controlled corporation.
6. Shenzhen Yage Zhimei is held as to 100% by Zhuhai Modern Zhimei, the equity interest of which is wholly held by Zhuhai Yinhu, which in turn is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Shenzhen Yage Zhimei held by Zhuhai Modern Zhimei, which is Mr. Shao's indirectly controlled corporation.
7. Zhuhai Modern Zhimei is held as to 100% by Zhuhai Yinhu, the equity interest of which is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Modern Zhimei held by Guangzhou Modern Information, which is Mr. Shao's controlled corporation.
8. Zhuhai Yinhu is held as to 90% by Mr. Shao and as to 10% by Guangzhou Modern Information. Mr. Shao is accordingly deemed by the SFO to be interested in the equity interest in Zhuhai Yinhu held by Guangzhou Modern Information which is Mr. Shao's controlled corporation.
9. Guangzhou Modern Video is held as to 100% by Guangzhou 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, a member of the senior management of the Group, on trust for Mr. Shao.

Save as disclosed above, none of the Directors and chief executive of the Company had interests and short positions in the shares, underlying shares and/or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive is taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register required to be kept by the Company under section 352 of the SFO or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

2. Substantial Shareholders' and other persons' interests and short positions in shares, underlying shares and debentures

As far as was known to any Director or chief executive of the Company, as of the Latest Practicable Date, the following persons/entities (other than the Directors and chief executive of the Company) had or were deemed to have an interest or a short position in the Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the Company's issued shares:

Name	Capacity	Number of ordinary shares	Approximate % of issued share capital
Madam Zhou Shao-min (<i>Note 1</i>)	Interest of spouse	327,002,000	74.60%
United Achievement Limited (<i>Note 2</i>)	Beneficial owner	25,020,000	5.71%
Warburg Pincus & Co. (<i>Note 2</i>)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus Partners LLC (<i>Note 2</i>)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus Private Equity X, L.P. (<i>Note 2</i>)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus X, L.P. (<i>Note 2</i>)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%
Warburg Pincus X, LLC (<i>Note 2</i>)	Interest of corporation controlled by the substantial Shareholder	25,020,000	5.71%

Notes:

1. Madam. Zhou Shao-min is the spouse of Mr. Shao, under the SFO, she is deemed to be interested in the shares held by Mr. Shao.
2. 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.

Saved as disclosed above, as of the Latest Practicable Date, none of the substantial or significant shareholders or other persons, had or were deemed to have an interest or a short position in the Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly, to be interested in 5% or more of the Company's issued shares.

C. DIRECTORS' SERVICE CONTRACTS

As of the Latest Practicable Date, none of the Directors of the Company had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation)).

D. MATERIAL CONTRACTS

Save for the standard electronic sales documents for the subscription of the respective WM Products, no contracts outside the ordinary course of business carried on by the Group had been entered into by the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material.

E. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS OR ARRANGEMENT

As of the Latest Practicable Date, none of the Directors of the Company had any direct or indirect interest in any assets which have since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save and except for the contractual arrangements as disclosed below: as of the Latest Practicable Date, none of the Directors were materially interested, directly or indirectly, in any subsisting contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

The contractual arrangements (the “**Contractual Arrangements**”) consists of the arrangements made in 2009, 2011 and 2015, respectively, for which Mr. Shao (the Chairman and an executive Director) is a party (for details of Mr. Shao’s interests in the PRC Operational Entities, the Target Companies and Guangzhou Modern Video, please refer to the paragraph headed “B. Disclosure of Interests of Directors and chief executives – 1. Interest of Directors and chief executive and short positions in shares, underlying shares and debentures – (b) Long positions in the associated corporations of the Company” in this appendix):

- (a) The 2009 arrangements: the following agreements dated 24 August 2009 were entered into for the purpose of providing the Group with effective control over its then operational entities in the PRC (the “**PRC Operational Entities**”, including Beijing Yage, Beijing Yage Zhimei, Guangzhou Modern Information, Guangzhou Modern Books, 廣州雅格廣告有限公司 (Guangzhou Yage Advertising Co., Ltd.*) (“**Guangzhou Yage**”, which was deregistered in 2018), Shanghai Gezhi, Shanghai Yage, Shenzhen Yage Zhimei, Zhuhai Modern Zhimei and Zhuhai Yinhu) to which the Group does not have direct shareholding, and to effectively transfer the economic benefits and pass the risks associated therewith of the PRC Operational Entities to the Company:
 - (i) management and consultation services agreements were entered into between ZMM and (aa) Guangzhou Modern Information, Guangzhou Modern Books, Zhuhai Yinhu and Zhuhai Modern Zhimei (collectively the “**Publishing and Investment Holding Entities**”); (bb) Shanghai Gezhi, Beijing Yage Zhimei, Shenzhen Yage Zhimei and Guangzhou Yage (collectively the “**Sales Entities**”); (cc) Shanghai Yage and Beijing Yage (collectively the “**Production Entities**”), pursuant to which the PRC Operational Entities have engaged ZMM on an exclusive basis to provide consultation services in the management, sales and marketing, enterprise management and other supporting services in connection with the PRC Operational Entities’ business, in consideration for each of the PRC Operational Entities agreeing to pay to ZMM fees (equivalent to the total revenue less all the related costs, expenses and taxes of the respective PRC Operational Entities) (“**Consultation Fees**”) on an annual basis in arrears;

- (ii) equity pledge agreements were entered into between ZMM and (aa) Mr. Shao; (bb) Mr. Shao and Guangzhou Modern Information; (cc) Zhuhai Yinhu; (dd) Zhuhai Modern Zhimei; (ee) Guangzhou Modern Information and Guangzhou Modern Books, for the purpose of securing the payment of the Consultation Fees;
 - (iii) business operation agreements were entered into between ZMM and (aa) Mr. Shao and the Publishing and Investment Holding Entities; (bb) Zhuhai Modern Zhimei and the Sales Entities; (cc) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, for the purpose of granting management rights (including shareholders' rights and right to nominate directors and key management) of the PRC Operational Entities to ZMM;
 - (iv) option agreements were entered into between Modern Media Company Limited ("**Modern Media (HK)**") and (i) Mr. Shao and the Publishing and Investment Holding Entities; (ii) Zhuhai Modern Zhimei and the Sales Entities; (iii) Guangzhou Modern Information, Guangzhou Modern Books and the Production Entities, pursuant to which Modern Media (HK) was granted options to acquire the entire equity interest in the PRC Operational Entities at nil consideration or the minimum amount as permitted by the applicable PRC laws;
 - (v) proxy agreements were entered into between ZMM and (i) Mr. Shao and Guangzhou Modern Information; (ii) Mr. Shao and Zhuhai Modern Zhimei; (iii) Mr. Shao, Guangzhou Modern Information and Guangzhou Modern Books, which authorise the Group to exercise its rights in the PRC Operational Entities as if it were the ultimate beneficial owner of the PRC Operational Entities; and
 - (vi) a trademark transfer agreement was entered into between ZMM and Guangzhou Modern Information to grant an option to Zhuhai Technology to acquire certain trademarks in relation to the PRC Magazines and its business at a nominal consideration or such minimum amount required by the PRC law.
- (b) The 2011 arrangements: for the purpose of providing the Group with effective control over the financial and operational policies and decisions of certain target companies (the "**Target Companies**", including Shanghai Senyin and Guangzhou Xiandai) at a consideration of RMB18,000,000, various agreements (including management and consultation services agreements, equity pledge agreements, business operation agreements, option agreements and proxy agreements have similar terms in substance with those of the 2009 arrangements) dated 20 September 2011 were entered into between (among others) the Group, Mr. Shao and the Target Companies; and

- (c) The 2015 arrangements: for the purpose of strengthen the Group’s management control over the target subsidiaries (the “**Target Subsidiaries**”, including Linkchic (Beijing) Network Technology Co., Ltd* (每城美客(北京)網科技有限公司) (“**Linkchic**”, which was deregistered in 2020) and Guangzhou Modern Video (a wholly-owned subsidiary of Guangzhou Xiandai)), various agreements (including management and consultation services agreements, equity pledge agreements, business operation agreements, option agreements and proxy agreements have similar terms in substance with those of the 2011 arrangements) dated 10 July 2015 were entered into between (among others) the Group, Mr. Shao, Guangzhou Xiandai and the Target Subsidiaries.

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

F. COMPETING INTERESTS

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

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

Save as disclosed above, as of the Latest Practicable Date, none of the Directors was considered to have any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group, pursuant to the Listing Rules.

G. LITIGATION

As of the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group or to which any member of the Group may become a party.

H. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<https://group.modernmedia.com.cn/investor/4>) for 14 days from the date of this circular:

- (a) the standard electronic sales document (including but not limited to the electronic subscription agreement) for the subscription of WM Product #1 entered into between each of GMIM and ZMM on one part and China Industrial Bank on the other part on the respective dates of subscription;
- (b) the standard electronic sales document (including but not limited to the electronic subscription agreement) for the subscription of WM Product #2 entered into between each of SYZI and ZMM on one part and CIB Finance on the other part on the respective dates of subscription; and
- (c) this circular.

I. GENERAL

- (a) The registered office of the Company is at Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103 Cayman Islands.
- (b) The head office and principal place of business of the Company in Hong Kong is at 7/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Aberdeen, Hong Kong.
- (c) The company secretary of the Company is Ms. Chan Sze Ting, who is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (d) The principal share registrar and transfer office of the Company in Cayman Islands is Tricor Services (Cayman Islands) Limited whose address is situated at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103 Cayman Islands.
- (e) The branch share registrar of the Company in Hong Kong is Link Market Services (Hong Kong) Pty Limited whose address is situated at Suite 1601, 16/F Central Tower, 28 Queen's Road Central, Central, Hong Kong.

J. MISCELLANEOUS

The English text of this circular shall prevail over the Chinese text, in the event of inconsistency.