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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

2016 *HK$'000**		**2016** *RMB'000*	2015 *RMB'000*	Variance
579,277	**Turnover**	**518,926**	595,725	**-12.9%**
3,363	**Profit for the year**	**3,013**	20,591	**-85.4%**
0.01	**Earnings per share — Basic** (RMB)**	**0.01**	0.05	**-80.0%**
773,169	**Total assets**	**692,618**	679,744	**1.9%**

The Board recommends the payment of final dividend of HK1.00 cent (RMB0.89 cents) (2015: HK2.5 cents) per share for the year ended 31 December 2016.

* The above amounts are translated into Hong Kong dollars ("HK$") at the rate of HK$1.1163 to RMB1.

** The amount is rounded to nearest two decimal places.

The board (the "**Board**") of directors (the "**Directors**") of Modern Media Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 together with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

		Year ended 31 December	
	Note	**2016**	2015
		RMB'000	*RMB'000*
Revenue	*3*	**518,926**	595,725
Cost of sales	*4*	**(255,828)**	(293,391)
Gross profit		**263,098**	302,334
Other income		**4,066**	6,984
Other losses — net		**(1,805)**	(2,621)
Distribution expenses	*4*	**(125,460)**	(143,084)
Administrative expenses	*4*	**(127,701)**	(133,506)
Operating profit		**12,198**	30,107
Finance income		**340**	489
Finance expenses		**(5,527)**	(4,908)
Finance expenses — net	*5*	**(5,187)**	(4,419)
Share of post-tax (losses)/profits of associates		**(194)**	309
Share of post-tax losses of a joint venture		**(330)**	(917)
Profit before income tax		**6,487**	25,080
Income tax expense	*6*	**(3,474)**	(4,489)
Profit for the year		**3,013**	20,591
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of financial statements of overseas subsidiaries		**5,580**	4,239
Total comprehensive income for the year		**8,593**	24,830

	Note	Year ended 31 December 2016 RMB'000	2015 RMB'000
Profit/(Loss) attributable to:			
— Owners of the Company		**3,085**	20,923
— Non-controlling interests		**(72)**	(332)
		3,013	20,591
Total comprehensive income/(loss) attributable to:			
— Owners of the Company		**8,665**	25,162
— Non-controlling interests		**(72)**	(332)
		8,593	24,830
Earnings per share attributable to the owners of the Company for the year (expressed in RMB per share)			
Basic earnings per share	*7*	**RMB0.0071**	RMB0.0478
Diluted earnings per share	*7*	**RMB0.0071**	RMB0.0478

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

		As at 31 December	
	Note	**2016**	2015
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**180,266**	186,839
Intangible assets	*10*	**33,168**	25,596
Goodwill		**30,032**	30,032
Software development in progress		**7,863**	11,971
Interests in associates	*11*	**10,916**	4,333
Interest in a joint venture		**17**	347
Available-for-sale financial assets	*12*	**5,710**	6,160
Prepayments of equity investments	*13*	**–**	6,500
Deferred income tax assets		**1,163**	2,791
		269,135	274,569
Current assets			
Trade and other receivables	*13*	**319,584**	306,813
Available-for-sale financial assets	*12*	**21,150**	20,000
Inventories	*14*	**25,490**	16,907
Cash and cash equivalents		**57,259**	61,455
		423,483	405,175
Current liabilities			
Trade and other payables	*16*	**83,852**	76,680
Current income tax liabilities		**8,642**	7,665
Borrowings	*15*	**100,563**	93,457
		193,057	177,802
Net current assets		**230,426**	227,373
Total assets less current liabilities		**499,561**	501,942
Non-current liabilities			
Borrowings	*15*	**26,642**	26,877
Deferred income tax liabilities		**1,406**	3,072
		28,048	29,949
Net assets		**471,513**	471,993

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**3,853**	3,852
Reserves		**196,849**	189,468
Retained earnings	*8*	**271,215**	279,005
		471,917	472,325
Non-controlling interests		**(404)**	(332)
Total equity		**471,513**	471,993

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GENERAL INFORMATION

Modern Media Holdings Limited (the "Company") was incorporated in the Cayman Islands on 8 March 2007 and registered as an exempted company with limited liability under the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Its principal places of business in the People's Republic of China (the "PRC") and Hong Kong are at Units A2, 4/F, Exhibition Centre, No. 1 Software Park Road, Zhuhai City, Guangdong Province, the PRC and 7/F, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong respectively; and its registered office is at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited 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.

As mentioned in the Company's interim report for the six months ended 30 June 2016 and in connection with other previous announcements concerning the proposed spin-off (the "Proposed Spin-off") of the digital and television businesses of the Group, the Company decided to postpone the application of the Proposed Spin-Off to a later stage.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"). The consolidated financial statements have been prepared under the historical cost convention, except that available-for-sale financial assets are carried at fair value, and certain financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied for the first time the following new and amended IFRSs issued by the International Accounting Standards Board ("IASB"), which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2016:

Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 cycle
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to IAS 27 (2011)	Equity Method in Separate Financial Statements

The adoption of these new and amended standards had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(b) New and amended standards issued but are not effective and not yet adopted by the Group

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's financial statements.

<u>IFRS 9 "Financial Instruments"</u>

IFRS 9 "Financial Instruments" introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The directors have started assessing the impact of IFRS 9 but are not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's trade receivables (see Note 13), unless classified as at fair value through profit or loss in accordance with the new criteria.

- it will no longer be possible to measure equity investments at cost less impairment and such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrecoverable designation to present them in other comprehensive income. This will affect the Group's investment in 天津假日傳媒發展有限公司 (see Note 12) if it is still held on 1 January 2018.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts", and several revenue-related Interpretations. IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. For more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. The directors have started to assess the impact of IFRS 15 and do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting period.

IFRS 16 "Leases"

IFRS 16 "Leases" will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability. IFRS 16 is effective from periods beginning on or after 1 January 2019. The directors are yet to fully assess the impact of IFRS 16 and therefore is unable to provide quantified information. However, in order to determine the impact the Group are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition.

- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.

- assessing their current disclosures for operating leases (note 30(b)) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets.

- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions.

- assessing the additional disclosures that will be required.

3. SEGMENT INFORMATION

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

Senior executive management considers the business from a business perspective, and assesses the performance of the business segment based on revenue and adjusted EBITDA without allocation of share of profit/losses of investments accounted for using equity method, 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. Investments in associates and jointly controlled entities are not considered to be segment assets but rather are managed by the treasury function.

The Group has two (2015: two) reportable segments as described below, which are the Group's strategic business units. As detailed in the Group's annual financial statements for the year ended 31 December 2015, the Group strategically restructured its business into two business segments, namely print media and art, and digital media with television. The chief operating decision-makers assess the performance of the operating segments mainly based on segment revenue and profit 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: 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.

- Digital media and television: 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 revenue by segment for the years ended 31 December 2016 and 2015 were set out as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Reportable segment		
— Print media and art (i)	**432,993**	484,064
— Digital media and television	**95,168**	89,145
	528,161	573,209
Revenue derived from other operations		
— Management consultancy services (ii)	**–**	15,094
— Exhibition, event arrangement and others (iii)	**5,293**	23,649
Less: sales taxes and other surcharges	**(14,528)**	(16,227)
	518,926	595,725

(i) In June 2015, the Group entered into an agreement with Mr. Shao Zhong ("Mr. Shao"), pursuant to which the Group sold 17 pieces of artworks including canvases, photograph and sculpture to Mr. Shao at a cash consideration of RMB29,121,000. The sales were recorded as revenue in the segment of print media and art for segment reporting for the year ended 31 December 2015.

The Group did not have such sales recorded as revenue for the year ended 31 December 2016.

(ii) For the year ended 31 December 2015, the Group entered into two management consultancy service agreements with external customers. The corresponding revenue derived from these services was approximately RMB15,094,000.

The Group did not have revenue derived from these services for the year ended 31 December 2016.

(iii) This represented the revenue derived from the provision of exhibition and event arrangement services to customers.

(b) Adjusted EBITDA

The adjusted EBITDA of the Group for the years ended 31 December 2016 and 2015 were set out as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Print media and art (i)	**24,571**	38,848
Digital media and television	**11,596**	16,940
	36,167	55,788
Revenue derived from other operations	**5,293**	38,743
Depreciation	**(13,212)**	(16,525)
Amortisation	**(8,802)**	(9,763)
Finance expenses — net	**(5,187)**	(4,419)
Share of post-tax (losses)/profit of associates	**(194)**	309
Share of post-tax losses of a joint venture	**(330)**	(917)
Fair value losses on available-for-sale financial assets	**(1,000)**	(2,000)
Unallocated head office and corporate expenses	**(6,248)**	(36,136)
Profit before income tax	**6,487**	25,080

(i) For the year ended 31 December 2016, the EBITDA derived from the sale of artworks to Mr. Shao was nil (2015: approximately RMB14,155,000) (Note 3(a)(i)).

Business segment	Year ended 31 December 2016 Depreciation *RMB'000*	 Amortisation *RMB'000*	Finance expenses-net *RMB'000*
Print media and art	**11,656**	**1,373**	**5,187**
Digital media and television	**1,556**	**7,429**	**–**
	13,212	**8,802**	**5,187**

Business segment	Year ended 31 December 2015 Depreciation *RMB'000*	 Amortisation *RMB'000*	Finance expenses-net *RMB'000*
Print media and art	12,745	86	4,419
Digital media and television	3,780	9,677	–
	16,525	9,763	4,419

(c) Total assets

Business segment	As at 31 December **2016** ***RMB'000***	 2015 *RMB'000*
Print media and art	**386,929**	359,877
Digital media and television	**125,447**	148,656
	512,376	508,533
Corporate and unallocated assets	**2,693**	2,157
Interests in associates	**10,916**	4,333
Interest in a joint venture	**17**	347
Available-for-sale financial assets	**26,860**	26,160
Prepayments of equity investments	**–**	500
Deferred income tax assets	**1,163**	2,791
Other receivables	**81,334**	73,468
Cash and cash equivalents	**57,259**	61,455
Total assets	**692,618**	679,744

(d) Geographic information

The geographic location of the Group's property, plant and equipment, intangible assets, goodwill, software development in progress, available-for-sale financial assets and interests in associates and a joint venture ("specified non-current assets") were mainly in the PRC, Hong Kong and Taiwan as at 31 December 2016 and 2015.

The geographical location of the specified non-current assets is based on (i) the physical location of the asset, in the case of fixed assets; (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 investments and interests in associates and a joint venture.

Specified non-current assets excluding deferred income tax assets by geographical location as at 31 December 2016 and 2015 were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Hong Kong	**127,000**	198,361
The PRC	**142,972**	72,980
Taiwan	**–**	437
	269,972	271,778

Revenue by geographical location for the year ended 31 December 2016 and 2015 was as follows:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
The PRC	**477,790**	497,674
Hong Kong	**41,136**	98,051
	518,926	595,725

4. EXPENSES BY NATURE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Cost of artworks sold	**–**	14,345
Employee benefit expenses	**200,194**	211,186
Advertising production expenses	**108,047**	97,732
Printing costs of magazines and periodicals	**36,466**	56,994
Marketing and promotion expenses	**45,333**	56,334
Office rental costs	**24,412**	30,560
License fee	**23,463**	23,402
Office expenses including utility costs	**20,510**	19,122
Travelling and communication expenses	**11,902**	18,047
Depreciation	**15,180**	17,531
Amortisation	**8,802**	10,115
Consultation expenses	**5,345**	6,163
Auditors' remuneration		
— Audit services	**1,180**	1,830
— Non-audit services	**81**	350
Stamp duties and other taxes	**626**	941
Impairment losses on trade receivables	**1,023**	55
Professional fees for the Proposed Spin-off	**5,148**	–
Other expenses	**1,277**	5,274
Total cost of sales, distribution and administrative expenses	**508,989**	569,981

5. FINANCE EXPENSES — NET

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Finance income:		
— Interest income derived from bank deposits	**340**	489
Finance expenses:		
— Interest expense on borrowings wholly repayable within 5 years	**(4,167)**	(3,670)
— Interest expense on borrowings wholly repayable after 5 years	**(1,360)**	(1,238)
	(5,527)	(4,908)
Finance expenses — net	**(5,187)**	(4,419)

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current income tax		
— Hong Kong profits tax	**305**	–
— PRC Corporate income tax *(note (d))*	**2,569**	1,740
Adjustments in respect of prior years	**523**	(599)
	3,397	1,141
Deferred income tax	**77**	3,348
Income tax expense	**3,474**	4,489

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

(b) Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in Hong Kong during the year.

(c) The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable corporate tax rate on the estimated assessable profits based on existing legislations, interpretations and practices. The corporate income tax rate applicable to the Group's subsidiaries located in the PRC is 25%.

(d) During the year ended 31 December 2016, income not subject to tax mainly represented the net profit of RMB16,838,000 (2015: RMB29,552,000) derived by Kashi Yazhimei Culture Media Co., Ltd., which is a subsidiary incorporated in Xinjiang, the PRC and entitled to an income tax exemption period from 1 January 2015 to 31 December 2019.

(e) During the year ended 31 December 2016, current income tax on profits for the year included a provision of RMB1,604,000 (2015: RMB1,680,000) in respect of withholding income tax on (i) dividends distributed by Modern Media (Zhuhai) Technology Co., Ltd. ("Zhuhai Technology") and (ii) services income charged to PRC subsidiaries.

7. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share was computed by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the respective years.

	Year ended 31 December	
	2016	2015
Profit attributable to owners of the Company (RMB'000)	**3,085**	20,923
Issued ordinary shares as at 1 January (thousands)	**438,282**	438,210
Weighted average number of shares held for the Share Award Scheme (thousands)	**(4,579)**	(557)
Weighted average number of shares awarded in respect of Linkchic acquisition (thousands)	**30**	42
Weighted average number of ordinary shares in issue (thousands)	**433,733**	437,695
Basic earnings per share (RMB per share)	**0.0071**	0.0478

(b) Diluted earnings per share

Diluted earnings per share was calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: employee share-based compensation.

For the employee share-based compensation, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above was compared with the number of shares that would have been issued assuming the exercise of the share options. The calculation of the diluted earnings per share for the years ended 31 December 2016 and 2015 was shown as:

	Year ended 31 December	
	2016	2015
Earnings		
Profit attributable to owners of the Company (RMB'000)	**3,085**	20,923
Weighted average number of ordinary shares in issue (thousands)	**433,733**	437,695
Effect of deemed issue of shares for nil consideration with respect to the Linkchic Acquisition (thousands)	**–**	71
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**433,733**	437,766
Diluted earnings per share (RMB per share)	**0.0071**	0.0478

There was no diluted event existed during the year ended 31 December 2016.

8. DIVIDENDS

(i) Proposed dividends payable to equity shareholders of the Company attributable to the year:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Final dividends proposed after the end of the financial year of HK1.00 cent (equivalent to RMB0.89 cents) (2015: HK2.50 cents (equivalent to RMB2.09 cents)) per ordinary share	**3,894**	9,171

(ii) Dividends to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	Year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
Final dividends in respect of the previous financial year of HK2.50 cents, equivalent to RMB2.09 cents per share (2015: HK2.50 cents, equivalent to RMB1.97 cents per share)	**9,171**	8,642

9. PROPERTY, PLANT AND EQUIPMENT

During the year ended 31 December 2016, the Group acquired items of fixed assets in aggregate of RMB2,206,000, which primarily consisted of leasehold improvements, office equipment, furniture and fixtures amounted to RMB489,000, RMB1,080,000, and RMB637,000 respectively.

10. INTANGIBLE ASSETS

For the year ended 31 December 2016, additions to intangible assets amounting to RMB16,254,000 comprising largely of development expenditures and related directly attributable costs on computer software system of the Group.

11 INTERESTS IN ASSOCIATES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Investment in associates		
At 1 January	**4,333**	4,333
Transfer *(Note 13(c))*	**5,480**	–
Share of (losses)/profits	**(194)**	309
Currency translation differences	**408**	–
At 31 December	**10,027**	4,333
Advance to an associate	**889**	–
	10,916	4,333

Advance to an associate included in investment in associates is unsecured, interest free and is not recoverable within twelve months from the end of the reporting period and are therefore shown in the consolidated statement of financial position as non-current.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Unlisted equity investments, at cost	**10,710**	10,160
Less: provision for impairment (a)	**(5,000)**	(4,000)
Unlisted equity investments — net	**5,710**	6,160
Commercial bank financing products, at fair value (b)	**21,150**	20,000
	26,860	26,160

(a) In October 2013, the Group acquired 20% equity interests in 天津假日傳媒發展有限公司 ("Tianjin Holiday") from an independent third party for a consideration of RMB8,160,000. Tianjin Holiday is principally engaged in the publication of newspaper in the PRC. The Group does not have significant influence nor participate in the policy-making process and the operating and financial decisions of Tianjin Holiday. At the reporting date, the Group performed an impairment assessment on its interest in Tianjin Holiday based on the latest available financial information and an impairment loss of RMB1,000,000 (2015: RMB2,000,000) was recognised in consolidated statement of comprehensive income for the year ended 31 December 2016.

During the year, the Group acquired 7.14% equity interest of Beijing Qingchuangtou Investment Company ("Beijing Qingchuangtou") from an independent third party for a consideration of RMB550,000. Beijing Qingchuangtou is principally engaged in investment management and consultation. Pursuant to the shareholding entrustment agreement dated 25 November 2015. Mr. Shao is entrusted as registered shareholders of the investment on behalf of the Group.

As at 31 December 2016 and 2015, an unlisted equity investment with original consideration of RMB2,000,000 was fully impaired.

(b) As at 31 December 2016, the Group purchased commercial bank financing products of RMB21,150,000 (2015: RMB20,000,000). This investment has no fixed maturity term and can be redeemed on the second day after submitting the redemption application to the bank. As at 31 December 2016 and 2015, the carrying amount of this investment approximated the fair value.

13. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables (a)		
— Due from third parties	**236,766**	216,201
— Due from controlling shareholder	**–**	18,621
Less: provision for impairment of receivables (f)	**(2,500)**	(1,477)
Trade receivables — net	**234,266**	233,345
Value-added tax recoverable	**19,016**	21,640
Prepayments	**20,279**	21,274
Printing deposits	**16,808**	14,179
Rental, utility and other deposits	**10,780**	11,054
Advances and loans to employees	**10,583**	6,392
Amounts due from related parties (d)	**497**	–
Others	**7,355**	5,429
	319,584	313,313
Less: Non-current portion: prepayments of equity investments (c)	**–**	(6,500)
Current portion	**319,584**	306,813

As at 31 December 2016 and 2015, the fair value of the trade and other receivables of the Group approximated their carrying amounts.

(a) The aging analysis of trade receivables, before provision for impairment, as at 31 December 2016 and 2015 was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade receivables, gross		
— Within 30 days	**96,861**	80,829
— Over 31 days and within 90 days	**57,222**	71,043
— Over 90 days and within 180 days	**52,759**	36,927
— Over 180 days	**29,924**	46,023
	236,766	234,822

The credit period granted to its advertising and circulation customers is between 30 to 180 days (with a certain limited number of customers granted a credit period of 270 days). No interest is charged on the outstanding trade receivables.

All of the trade receivables are expected to be recovered within one year.

(b) As at 31 December 2016, trade receivables of RMB94,802,000 (2015: RMB98,207,000) were past due but not impaired. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances. The aging analysis of these trade receivables past due but not impaired at respective reporting dates was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Within 30 days past due	**31,973**	33,540
Over 31 days and within 90 days past due	**30,310**	26,889
Over 90 days past due	**32,519**	37,778
	94,802	98,207

(c) During the year ended 31 December 2016, prior year prepayments of equity investments of RMB5,980,000 has been transferred to interests in associates (Note 11) and available-for-sale financial assets of RMB5,480,000 and RMB500,000 respectively, and RMB520,000 has been refunded to the Group upon mutual agreement.

(d) The amounts due from related parties are unsecured, interest-free and recoverable on demand.

(e) The carrying amounts of the Group's trade and other receivables were denominated in the following currencies:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
RMB	**297,567**	289,430
HKD	**19,431**	19,472
USD	**544**	3,882
Others	**2,042**	529
	319,584	313,313

(f) Movements in provision for impairment of trade receivables were as follows:

	2016	2015
	RMB'000	*RMB'000*
At 1 January	**1,477**	1,422
Provision for impairment (Note 4)	**1,023**	55
At 31 December	**2,500**	1,477

Provision for impairment of RMB2,500,000 (2015: RMB1,477,000) has been made for estimated irrecoverable amounts due from advertising customers. This provision for impairment has been determined by reference to past default experience and management judgement. The aging of these impaired trade receivables was over 180 days as at 31 December 2016 and 2015.

14. INVENTORIES

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Artworks	**25,425**	16,842
Other goods	**65**	65
	25,490	16,907

During the year ended 31 December 2015, management of the Group determined the strategy to develop its business in artwork trading and auction, art exhibition and education. Accordingly, the carrying amount of the artworks of RMB28,693,000 were reclassified from property, plant and equipment to inventories. As at 31 December 2016 and 2015, the balance of inventories were not impaired.

15. BORROWINGS

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Current		
— Unsecured bank borrowings (a)	**38,742**	51,955
— Secured bank borrowings (b)	**47,087**	26,908
— Other secured borrowing (c)	**14,734**	14,594
	100,563	93,457
Non-current		
— Secured bank borrowings (b)	**26,642**	26,877
	127,205	120,334

(a) As at 31 December 2016, unsecured bank borrowings of RMB11,000,000 (2015: RMB14,450,000) were guaranteed by Mr. Shao, the controlling shareholder of the Company and Modern Media (Zhuhai) Technology Company Limited, an indirect wholly-owned subsidiary of the Group; and unsecured bank borrowings of RMB4,000,000 (2015: RMB10,000,000) were guaranteed by Mr. Shao, the controlling shareholder of the Company; and unsecured bank borrowings of RMB10,305,000 (2015: RMB10,749,000) was guaranteed by the Company;

The remaining unsecured bank borrowings of RMB13,437,000 (2015: RMB16,756,000) were credit loans.

(b) As at 31 December 2016, secured bank borrowings of RMB73,729,000 (2015: RMB53,785,000) were secured by certain properties of the Group with a carrying amount of RMB31,655,000 and HK$100,318,000 (2015: RMB18,260,000 and HK$102,598,000), among which RMB4,000,000 (2015: RMB25,000,000) were guaranteed by Mr. Shao.

(c) As at 31 December 2016, other secured borrowing of RMB14,734,000 (2015: RMB14,594,000), borrowed from a developer of a property in Hong Kong, was secured by certain properties with a carrying amount of RMB89,868,000, equivalent to HK$100,318,000 (also included as pledged assets for bank borrowings as mentioned in Note 15(b)) and was also guaranteed by Mr. Shao and Ms. Zhong Yuanhong.

16. TRADE AND OTHER PAYABLES

(a) An analysis of the nature of trade and other payables of the Group was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables:		
— Due to third parties	**37,126**	27,047
Other payables:		
— Advances from customers	**20,137**	15,615
— Accrued taxes other than income tax (i)	**6,676**	11,161
— Accrued expenses	**6,333**	6,684
— Advertising and promotion expenses payable	**4,858**	3,991
— Salaries, wages, bonus and benefits payable	**627**	509
— Other liabilities	**8,095**	11,673
	83,852	76,680

(i) Accrued taxes other than income tax mainly consisted of value-added tax payables, business tax payables and related surcharges, and individual income tax payables. The revenue of the Group is subject to turnover taxes in the PRC and Taiwan.

As at 31 December 2016 and 2015, all trade and other payables of the Group were non-interest bearing, and their fair values, excluding the advances from customers, staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.

(b) An aging analysis of trade payables of the Group was as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Trade payables		
— Within 30 days	**17,111**	22,569
— Over 31 days and within 90 days	**11,903**	751
— Over 91 days and within 180 days	**3,907**	288
— Over 180 days	**4,205**	3,439
	37,126	27,047

17. CONTINGENCIES

At 31 December 2016 and 2015, the Group had no material contingent liability.

18. EVENTS AFTER THE REPORTING DATE

After the end of the reporting period, the Directors proposed a final dividend for 2016. Details were disclosed in Note 8(i).

19. COMMITMENTS

(a) Capital commitments

As at 31 December, the Group had the following capital commitments:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Capital expenditure contracted but not provided for:		
— Investment in an associate	**1,800**	–

(b) Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Operating leases expiring:		
— Within 1 year	**21,159**	21,863
— After 1 year but within 5 years	**18,532**	24,953
	39,691	46,816

(c) Other commitments

The Group entered into licensing agreements with the publishing partners to obtain the exclusive rights for the sale of advertising spaces in and the distribution of the magazines. As at 31 December 2016, the total future minimum payments under non-cancellable licensing agreements were as follows:

	As at 31 December	
	2016	2015
	RMB'000	*RMB'000*
Licensing agreement expiring:		
— Within 1 year	**22,372**	17,169
— After 1 year but within 5 years	**75,997**	69,899
— After 5 years	**7,043**	5,993
	105,412	93,061

MANAGEMENT DISCUSSION AND ANALYSIS

RESULT SUMMARY

The year of 2016 had been marked by incessant "black swan" events, such as unexpected Britain's decision to cut the cord on its membership in the European Union in June followed by Donald Trump's winning of the United States ("U.S.") presidential election around the year end. The world's three largest economic entities still had uncertainties in its economy affairs. The U.S. Federal Reserve Board had tapered its quantitative easing policy and tightened its dollar liquidity by raising the interest rate since 2016. The new U.S. president is threatening to kick-off the trade wars with Mexico and the PRC in the coming years. Moreover, Europe had made an effort to stabilize the public's confidence in its common currency and the creditability of its institutional issuers after Britain's vote to exit European Community. However, the situations will be deteriorating as the anti-establishment groups determine to upset the status quo if they will win the upcoming elections in the Netherlands, France and Germany. On the other hand, even the PRC's Gross Domestic Products ("GDP") growth was maintained at 6.7% in 2016 but the general economic outlook did not totally reflect the economic growth. There were falling exports and ongoing deceleration in private sector business investments. The increase of property prices in major cities of the PRC will also be an indicator of the growth of the real estate bubble. The PRC government had continued its anti-corruption policies in the past few years and it is anticipated that the government will stick on those policies in the foreseeable future. The weakening of consumers' confidence on the retail market had a negative impact on the advertising industry, especially for the luxury goods. In conclusion, many advertisers and media operators in the PRC encountered the matter of survival in year 2016.

The Company and its subsidiaries (the "Group") had experienced a significant drop of income in the first half of 2016 owing to the brand advertisers had cut their advertising spending and marketing budgets in the PRC market. However, the Group had reacted promptly and implement a series of cost saving policies by reducing the headcount to rationalize human resource structure, consolidating distribution networks and the removal of offices, optimizing the number of print copies of our magazines and tightening the budget control on production costs and expenses. Furthermore, the Group procured businesses and orders from new customers in the latter half of 2016. The financial performance of the Group had therefore improved significantly accordingly in the second-half of 2016 and we managed to turnaround from a loss situation in the first half to a slight profit situation for the full year of 2016. The Group's turnover amounted to approximately RMB518.9 million, which represented a decrease of 12.9% as compared with that for year 2015. The Group's three flagship weekly/bi-weekly magazines, "Modern Weekly", "Modern Lady Weekly" and "Bloomberg Businessweek/China" recorded a decrease in the turnover when compared with that in 2015 which was affected by the sluggishness of the advertising market in luxury goods. On the other hand, the Group's three major Chinese media applications ("App"), namely the "iWeekly", "iLady365" and "Bloomberg Businessweek 商業周刊中文版", showed different performances. "iWeekly" and "iLady365" achieved revenue growths while "Bloomberg Businessweek 商業周刊中文版" recorded a decrease in turnover in 2016. The Group's print media segment remained as the major cash cow, while its mobile digital media successfully achieved continuous revenue growth. The Group recorded a net profit of RMB3.0 million for the year, with a significant decrease of 85.4% as compared with that of year 2015.

Starting from 2015, the Group had strategically restructured its business into 2 business segments, namely "print media and art" and "digital media and television". In 2016, print media remained as the major income contributor of advertising revenue while digital media was outperformed in generating revenue. As at 31 December 2016, the segment results are as follows:

	Print Media & Art *RMB'000*	**Digital Media & TV** *RMB'000*	**Total** *RMB'000*
2016			
Reportable segment revenue	432,993	95,168	528,161
Reportable segment profit	6,355	2,611	8,966
Segment EBITDA	24,571	11,596	36,167
2015			
Reportable segment revenue	484,064	89,145	573,209
Reportable segment profit	21,598	3,483	25,081
Segment EBITDA	38,848	16,940	55,788

On the segment results, the segment revenue for the print media in 2016 suffered an 10.6% decrease when compared with 2015. Meanwhile, the segment earnings before interest, tax, depreciation and amortization ("EBITDA") and segment profit showed a downward trend when we compared with that of 2015. On the other hand, the digital media segment recorded an increase in segment revenue by 6.8%. The Group had leveraging on the economics of scale by operating a number of well-established Apps in 2016. The management of the Group has confidence that the digital media will continue its profitable trend afterwards.

The directors are satisfied with financial performance under the tough operating environment and also with the achievements of some strategic milestones of the Group in 2016.

(A) BUSINESS REVIEW

(i) Print Media and Art

The overall printed magazine market followed the downward trend as in the past few years. The total advertising revenue of printed magazine category has been decreased by 30.5% as compared with that of last year, in which all the four major categories recorded a decrease in the advertising spending: the cosmetics industry achieved a negative growth of 30.0%, the fashion industry achieved a negative growth of 22.0%, auto industry achieved a negative growth of 22.0%, and the watch and jewelry industry achieved a negative growth of 19.0%. The advertising market hence experienced a lusterless performance given to the stagnation in retail business.

* *Remark:* Advertising information from the above paragraph is extracted from Advertising Expenditure Report of 2016 produced by CTR China.

The Group commenced in year 2016 with six weekly/bi-weekly and eight monthly/bi-monthly magazines in both the PRC and Hong Kong, covering the subjects of lifestyle, news, finance, culture, art, health, etc. In September 2016, the Group ceased to issue the "The Outlook Magazine" after the cautious review of the operating performance of the magazine portfolio.

In 2016, the Group's portfolio of printed magazine titles contributed to the advertising revenue of approximately RMB403.8 million (2015: RMB450.4 million), which recorded a decrease of approximately 10.3% as compared to 2015.

Although the PRC advertising market of magazine category was extremely challenging, our Group still made an effort to achieve a fair performance in 2016. The revenue of our flagship magazine, "Modern Weekly" suffered a decease when facing the industrial depression in the overall printed media market. However, it has still been ranked no. 1 in term of revenue in weekly magazine market according to audit report by Admango and continuously maintained the irreplaceable position by most of the print media brand advertisers while many other print competitors were still struggling in the matter of survival.

The revenue of another flagship magazine of the Group, "Modern Lady Weekly", was also affected under the downward trend of macro environment in magazine market. However, it has been ranked no. 2 in term of circulation among all women lifestyle magazines in the PRC according to the market survey published by Beijing Kai Yuen Circulation Research Company. "You Jia Hui" (優家薈) became a well-known readers' club and it had successfully organized a series of marketing events in 2016. Those marketing events were well-accepted by both the readers and members of "You Jia Hui" (優家薈) and created synergy effect on the online and offline promotion. Moreover, the members of "You Jia Hui" (優家薈) have increased significantly in recent years and the club membership fees had created additional income stream of the Group starting from 2015.

Our flagship business magazine, "Bloomberg Businessweek/China" (Simplified Chinese edition) also recorded a decrease in the advertising performance as compared to the same period of last year which many other competitors also faced the downward trend in revenue in 2016. By comparing with 40 other business and financial magazines, it was ranked no. 4 according to audit report by Admango regarding to the advertising revenue in all categories, versus no. 3 in year 2015. Moreover, the "Bloomberg Businessweek/China" (Traditional Chinese edition) recorded an increase of revenue by 34.0% when compared with that of last year owing to the increase of marketing awareness after the launching of a series of marketing events including the "Top Fund Awards", "Listed Enterprises of the Year" and "Financial Institution Awards".

The other monthly or bi-monthly magazines of the Group in the PRC and Hong Kong had been recorded with different operating performances. Some titles, such as "Life", "LEAP", "LOHAS" and "IDEAT" were recorded revenue increases as compared to the same period of last year, whilst the other monthly or bi-monthly titles experienced revenue declines as per the general trend of the overall printed media market. The Group will continue to review such portfolio of magazines and target to attain an optimal operating result in 2016 and onwards.

During the reporting period, the art business had contributed revenue of RMB14.0 million (2015: RMB47.6 million), which included the advertising revenue and event income from our art-related magazines — "LEAP" and "the Art Newspaper". In the coming year, the Group is also planning to renovate some of the office space to become art galleries in order to promote artwork trading business. It is our management's belief that our art business will have a significant increase in the coming future.

(ii) Digital Media & TV

Comparing to the stagnant advertising environment in printed media sector, the overall market sentiment of the digital media sector was still optimistic. The advertising market of mobile digital category achieved a year-on-year increase of 73.7% in 2016. The total revenue contributed by the Group's digital media recorded an increase by 6.8% in 2016 when compared with that of last year. With the Group's strategy to expand the digital media, the Group has incurred capital expenditure of RMB12.1 million to maintain and conduct major upgrades on existing Apps.

* *Remark:* Information in the above paragraph is extracted from Internet Advertising Market Report 2016 served by iResearch.

For the year 2016, the number of "iWeekly" downloads on both smartphone and tablet PC reached approximately 14.0 million together, an increase by 7.7% from the year ended 2015. "iWeekly" continued to be recognized as one of the most successful Chinese media Apps on both Apple iOS and Android platforms. The iPhone version was within the Top 5 list in Newsstand Top Grossing List in AppStore and, "iWeekly" has also got the Top 2 ranking for a long period of time in 2016. Moreover, the advertising revenue of "iWeekly" in 2016 was increased by 8.5% when compared with that of last year. It was because many of the branded advertising clients were eager to utilize their marketing budgets in digital Apps in 2016. "iWeekly" often undergo a content revamp and add more user-friendly functions, such as the daily news broadcast which target to increase the readers' adherence.

"iLady365" has already accumulated more than 5.4 million users on both smartphone and tablet PC as at the end of 2016 which represented an increase by 18.9% when compared with that of last year. The iPhone version of "iLady365" was within the Top 5 list in Newsstand Top Grossing List in AppStore and, it has also got the Top 4 ranking for a long period of time in 2016. "iLady365" has generated an income of approximately RMB23.7 million which was 50.2% higher than that of last year. In 2016, "iLady365" had successfully integrated with Metroer.com, where comprehensive solutions are provided for targeted customers on behalf of branded clients. Moreover, as it could effectively bring traffic to some advertiser's shopping platform or their official websites, "iLady365" has increased its popularity amongst the branded advertisers. We believe that "iLady365" is a strategic move for the Group to ride on the recent trend of e-Commerce outbreak and will also become another income generator in the coming future.

"Bloomberg Businessweek 商業周刊中文版" has successfully enlarged its user base on both smartphone and tablet PC by reaching approximately 7.8 million together, which was 21.9% higher than that of last year. Further, "Bloomberg Businessweek 商業周刊中文版" was recommended to be one of the Best Apps for the year 2016 in Apple's AppStore. The iPhone version was within the Top 5 list in Newsstand Top Grossing List in AppStore and, "Bloomberg Businessweek 商業周刊中文版" has also got the Top 1 ranking for a long period of time in 2016. Even the advertising revenue of "Bloomberg Businessweek 商業周刊中文版" was recorded a decrease in 2016 owing to a loss of a single major client, it still outperformed among many competitors in the market. "Bloomberg Businessweek 商業周刊中文版" has maintained its irreplaceable position and was still well-accepted by both the readers and advertisers.

Besides, there were two more important Apps in the digital platform of the Group, namely "LOHAS" and "iArt" which had been accumulated the number of downloads on both smartphone and tablet PC by approximately 3.5 million and 2.6 million respectively as at the end of 2016. Those Apps started to create additional advertising revenue in the current year.

Given the expansion plan in progress, the Group's digital media business had maintained a profit situation in the current year. The Group management is confident that the continuous growing downloads of our App products will make us a leading digital platform, and will further generate considerable revenues in future. We believe that the operations of the digital media segment will be on the right track and continue to deliver satisfactory operating results in the coming years.

The TV team created value-added series by focusing on the customized production for its brand advertisers. TV media had already achieved a revenue of RMB8.8 million (2015: RMB9.1 million) in 2016 which represented a slight decrease of approximately 3.3% when compared with that of last year. The Group has maintained a reasonable cost structure of TV segment and the operating result is only recorded a slight loss in 2016. Looking forward, the Group's TV media will continue this business model and focus on customized production for advertisers in future. Hence, the Group believed that TV media will deliver an optimal operating result in the coming years.

(B) BUSINESS OUTLOOK

In view of the slowdown in economic growth in China, as well as the rapid transformation of the media industry, the Group will continue to face challenges in the coming year. As mentioned in the previous section, management will impose a series of cost control procedures to rationalize and streamline our operation so as to cope with the changing landscape of the media industry; on the other hand, the Group will continue to explore business opportunities in digital media and diversify our business scope.

The Group is implementing a corporate re-branding and changes the business strategy into a M-cube direction, i.e. "Modern Media", "Modern Digital" and "Modern Momentum".

“Modern Media” includes our printed magazines portfolio which is still a leading core media in the PRC market for the brand advertisers of high-end luxury goods and lifestyle products. We believe that the advertising markets from the brand advertisers will rebound in line with the economic growth of the PRC economy in future. The Group will strive to develop and maintain its renowned content quality for the needs of highly growth elite’s population.

The Group is negotiating the cooperation with an international renowned female title and “Modern Lady Weekly” will have a re-branding in the coming year. The Group believes that such re-branding will have an upgrade of the magazine contents and bring in additional advertising revenue stream. Besides, the Group will continuously review and adjust its magazines portfolio to pursuit the needs of particular segmented clients and readers.

“Modern Digital” is our business growth engine in the past few years. The Group perceived that being innovative is the key to becoming competitive in digital media industry; therefore we keep on maintaining a reasonable portfolio of apps in addition to the continuous upgrade of our existing apps. Our research and development team is also in the process of developing other new social media which trying to capture business opportunities in different market segments. The Group is exploiting the opportunities to charge the membership fees in social media and a single content fee by reading a specific essay. It is expected that the Group could derive additional revenue and benefits by delivering these innovative revenue model to the market.

Besides the self-development, the Group is also looking for any merger and acquisition opportunities in order to speed up business expansion. The Group is negotiating for the acquisition of the controlling shareholding of an international and renowned lifestyle website which the management believes that such move will have the synergy effect with the existing business portfolio.

Even we temporarily suspend our spin-off exercise owing to the market volatility, we still keep track on the market situation and will kick-off the project again in the appropriate timing in future.

“Modern Momentum” will be the new driving force of the Group by utilizing our existing ample resources in well-experienced marketing experts and networks with models, celebrities and artists etc. Taking an example of “Photo Shanghai”, the Group together with Montgomery, an international leading art exhibitor, held a very successful photo exhibition in Shanghai since 2014. The exhibition has aroused extensive attentions and well-acceptance by both visitors and commercial sponsors. The Group will cooperate and establish joint venture companies with well-established and famous exhibitors in both UK and the PRC in the coming year. With the success case of “Photo Shanghai”, the Group will organize a series of profit-making trade fairs with different themes such as art, LOHAS, creativity, business, design and girl’s fair.

Looking forward, management believes that the further development of the M-cube direction together with stringent cost control measures would help the Group to return to a profitable position in the foreseeable future.

(C) FINAL DIVIDEND

The Directors proposed to declare a final dividend of HK1.0 cent (2015: HK2.5 cents) per share, amounting to approximately HK$4.4 million. Subject to the approval of the shareholders at the forthcoming annual general meeting, the proposed dividend will be payable to shareholders whose names appear on the Register of Members of the Company on 18 May 2017 and payable on 8 June 2017. This proposal is subject to shareholders' approval at the forthcoming annual general meeting to be held.

(D) BOOK CLOSURE

The Annual General Meeting of the Company is scheduled on 9 May 2017. For determining the entitlement to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from 4 May 2017 to 9 May 2017 both days inclusive, during which period no transfer of share will be effected. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 2 May 2017.

The proposed final dividend is subject to the passing of an ordinary resolution by the shareholders at the Annual General Meeting. The record date for entitlement to the proposed final dividend is 18 May 2017. For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 16 May 2017 to 18 May 2017, both days inclusive, during which period no transfer of share will be effected. In order to be qualifying for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited for registration not later than 4:30 p.m. on 15 May 2017. The payment of final dividend will be made on 8 June 2017.

LIQUIDITY AND FINANCIAL RESOURCES

Net cash flows

During the year, the Group had a net cash inflow for operating activities of approximately RMB22.2 million (2015: RMB35.3 million), the decrease in operating cashflow was largely attributable to the decrease in advertising income. On the other hand, the Group's cash outflow from investing activities amounted to RMB14.2 million (2015: RMB59.3 million) which was mainly attributable to the investment in fixed assets including the purchase of furniture, fixtures and equipment for the Digital Media operation and development cost for mobile applications. The cash outflow of the Group from financing activities amounted to RMB12.3 million (2015: RMB19.0 million) which was mainly owing to the payment of dividend of RMB9.1 million and interest payments on bank loans of RMB5.5 million.

Borrowings and gearing

As at 31 December 2016, the Group's outstanding borrowings was approximately RMB127.2 million (2015: RMB120.3 million). The total borrowings comprised secured bank loans and other borrowings of approximately RMB88.5 million (2015: RMB68.4 million).and other unsecured bank loan of approximately RMB38.7 million (2015: RMB52.0 million). The gearing ratio as at 31 December 2016 was 18.4% (2015: 17.7%), which was calculated based on the total debts divided by total assets at the end of the year and multiplied by 100%.

As at 31 December 2016, the total debts of the Group were repayable as follows:

	2016	2015
	RMB'000	*RMB'000*
Within 1 year or on demand	**100,563**	93,457
After 1 year but within 2 years	**2,242**	1,952
After 2 years but within 5 years	**6,710**	6,133
After 5 years	**17,690**	18,792
	26,642	26,877
	127,205	120,334

CAPITAL EXPENDITURE

Capital expenditure of the Group for the year included expenditure on fixed assets of approximately RMB14.4 million (2015: RMB32.0 million). Major expenditure included the purchase of furniture, fixtures and equipment and development cost for mobile applications.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

Save for the corporate guarantee given to banks and the Group's major printing supplier to secure the banking facilities and printing credit line, as at 31 December 2016, the Group did not have any material contingent liabilities or guarantees other than those disclosed below.

As at 31 December 2016, the Group's bank loans of RMB45.0 million was secured by the Group's office properties in Beijing, which were guaranteed by Mr. Shao, the controlling shareholder of the Group. The Group's bank loan of RMB28.7 million and loan from developer of RMB14.7 million were secured by a mortgage over the Group's property in Hong Kong, the loan from developer was guaranteed by Mr. Shao and Ms. Zhong Yuanhong, a member of senior management of the Group.

As at 31 December 2016, the Group's printing credit line in an amount of approximately HK$7.30 million was secured by corporate guarantee given by the Company.

FOREIGN EXCHANGE RISKS

As most of the Group's monetary assets and liabilities are denominated in Renminbi and the Group conducts its business transactions principally in Renminbi and Hong Kong dollars, the exchange rate risk of the Group is not significant. The Group did not enter into any foreign exchange hedging instruments during the year 2016.

EMPLOYEES AND SHARE AWARD PLAN

As at 31 December 2016, the Group had a total of 703 staff (2015: 992 staff), total staff costs (including Directors' remuneration) were approximately RMB200.2 million (2015: RMB211.2 million). The emoluments of the Directors and senior management are reviewed by the Remuneration Committee. The reduction in head counts was due to the rationalization of human resource structure in order to improve the corporate efficiency.

To recognize and reward the contribution of eligible employees for contributing to the continual operation and development of the Group and to attract suitable personnel for further development of the Group, the Company approved an employee share award plan on 3 December 2009. The Plan has become effective on 7 December 2009. The Plan does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. During the year 2016, the Company did not contribute any amount to the Plan and there were surplus funds in the Plan to acquire shares of the Company. During the year ended 31 December 2016, no share was awarded and vested to selected employees, under the Share Award Plan, as approved by the Board of Directors of the Company.

REVIEW OF ANNUAL RESULTS AND PRELIMINARY RESULTS ANNOUNCEMENT

The annual results of the Group for the year ended 31 December 2016 have been reviewed by the audit committee of the Board (the "**Audit Committee**").

Scope of work of Grant Thornton Hong Kong Limited

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2016 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited 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 Grant Thornton Hong Kong Limited on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2016, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**").

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. During the year, Mr. Shao Zhong assumed the positions as the chairman of the Board and the chief executive officer of the Company ("**Chief Executive Officer**"). For further details, please refer to the 2016 interim report of the Company. On 1 December 2016, Mr. Wong Shing Fat, an executive Director, was redesignated as Chief Executive Officer following Mr. Shao's resignation as Chief Executive Officer with effect from even date. Since then, the Company has complied with code provision A.2.1 of the Corporate Governance Code regarding the separation of roles of chairman and chief executive.

As at 1 June 2016, the Board comprised of six executive Directors, one non-executive Director and three independent non-executive Directors which such composition fell short of the requirement specified in Rule 3.10A of the Listing Rules, requiring the number of independent non-executive directors of an issuer must represent at least one-third of the board. On 18 August 2016, Dr. Gao Hao appointed as an independent non-executive Director and a member of the audit committee of the Board. For further details, please refer to the announcement of the Company dated 18 August 2016. As at and since 18 August 2016, the Board comprised of six executive Directors, one non-executive Director and four independent non-executive Directors. As a result, the Company has, in accordance with Rule 3.11 of the Listing Rules, ensured appointment of sufficient number of independent non-executive directors within three months after failing to meeting the requirement. And thus the Company has complied with Rule 3.10A of the Listing Rules since 18 August 2016.

Save as disclosed above, the Directors are of the opinion that the Company had complied with the code provisions set out in the CG Code throughout the year of 2016. The Group also adhered to the recommended best practices of the CG Code insofar as they are relevant and practicable during the same year.

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

Hong Kong, 15 March 2017

As at the date of this announcement, the Board comprises the following members: (a) as executive directors, Mr. SHAO Zhong, Mr. WONG Shing Fat, Mr. MOK Chun Ho, Neil, Ms. YANG Ying, Mr. LI Jian and Mr. DEROCHE Alain; (b) as non-executive director, Dr. CHENG Chi Kong; (c) as independent non-executive directors, Mr. JIANG Nanchun, Mr. WANG Shi, Mr. AU-YEUNG Kwong Wah and Dr. GAO Hao.