

Report of the Directors

The directors of the Company (the "Directors") submit their report together with the audited financial statements for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 8 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

The Directors recommend the payment of a final dividend of HK0.375 cent per ordinary share, totalling HK\$1,500,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 14 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 100 million shares of HK\$0.001 each at HK\$1.2 per share by way of placing and public offer on 18th October 2005 (as set out in detail in the prospectus dated on 30th September 2005 issued by the Company (the "Prospectus")). The net proceeds, after deduction of related issuance expenses, amounted to approximately HK\$102,968,000 ("Net Proceeds"). The Net Proceeds were partially applied during the year ended 31st March 2006 in accordance with the proposed applications set out in the Prospectus, the details of which are as follows:

	Proposed application of Net Proceeds	Actual amount used up to 31st March 2006
	HK\$'000	HK\$'000
Acquisition of magazine business in PRC	50,000	–
Sales and marketing activities for new magazines	24,000	460
Circulation-related activities of new magazines	12,000	1,285
Repayment of short-term loan	10,000	10,000
General working capital	6,968	3,500
	<u>102,968</u>	<u>15,245</u>

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March 2006, including the share premium, available for distribution, calculated in accordance with the provisions of Companies Law (2004 Revision) of the Cayman Islands, amounted to HK\$112,470,000.

Under the laws of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. The share premium may also be distributed in the form of fully paid bonus shares.

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. For the dividend purpose, the amount which the Company's subsidiaries in the People's Republic of China ("PRC") can legally distribute by way of a dividend is determined by reference to their profits as reflected in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. These profits differ from those that are reflected in the Group's financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles"), or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 86.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

Report of the Directors

SHARE OPTIONS

The pre-IPO share option scheme (“Pre-IPO Scheme”) and the post-IPO share option scheme (“Post-IPO Scheme”) (“Schemes”) were conditionally approved and adopted by ordinary resolutions of the shareholders of the Company and MPE on 26th September 2005 (“Adoption Date”). The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Post-IPO Scheme (where applicable) except for the following principal terms: (a) the subscription price per share shall be the offer price; and (b) no options will be offered or granted upon the commencement of dealings in the shares on the Stock Exchange.

Pursuant to the Schemes, the Board may, at its absolute discretion, grant share options to any full time employee, executive and non-executive Directors (including independent non-executive Directors) of the Group or MPE and its subsidiaries (“MPE Group”) (for so long as the Company remains a subsidiary of MPE) (“Employee”) to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The purposes of the Schemes are to encourage employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to motivate them to achieve higher levels of good corporate governance.

The maximum number of shares in respect of which options may be granted under the Schemes when aggregated with the maximum number of shares in respect of any options to be granted under any other share option scheme established by the Company (if any) is that number which is equal to 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange. As at 31st March 2006, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised under the Pre-IPO Scheme was 14,472,000 shares, which represented 3.62% of the issued share capital of the Company as at that date. As at 31st March 2006, no option has been granted or agreed to be granted by the Company under the Post-IPO Scheme. No Employee shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such employee in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time.

The period within which an option may be exercised under each of the Schemes will be determined and notified by the Board in its absolute discretion (subject to any vesting periods, if applicable), save that no option may be exercised later than 10 years from the date of offer of the option or 10 years after the Adoption Date, whichever is earlier. As evidenced by the vesting periods of the options granted under the Pre-IPO Scheme, no option granted under the Pre-IPO Scheme will be exercisable within six months from the Listing Date. Save for the number of shares which may be subscribed for pursuant to the exercise of options and the vesting periods of the options granted, each option so granted under the Pre-IPO Scheme has the same terms and conditions.

The offer of a grant of share option may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK\$1 by the grantee.

Under each of the Schemes, the subscription price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date, which must be a business day, of the written offer of the option; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the offer of the grant of such option; and (iii) the nominal value of the shares of the Company.

Report of the Directors

SHARE OPTIONS (Continued)

In relation to the options granted to the grantees, either of the following two vesting scales has been applied:

(i) 20% of the shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or (ii) 100% of the shares comprised in the option will fully vest on the first anniversary of the Listing Date, as the case may be, which has been specified in the offer letters to the grantees.

Details of the share options outstanding and movements during the year ended 31st March 2006 are as follows:

Grantees	Number of shares involved in share options (in thousands)				Balance at 31st March 2006	Percentage of issued ordinary shares at 31st March 2006	Exercise price per share HK\$	Date of conditional grant	Exercisable period
	Balance at 18th October 2005	Granted during the year	Exercised during the year (Note 3)	Lapsed during the year (Note 3)					
Directors:									
Mr. TIONG Kiu King (Note 1)	1,250	-	-	-	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TIONG Kiew Chiong (Note 1)	1,250	-	-	-	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Peter Bush BRACK (Note 1)	1,250	-	-	-	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TUNG Siu Ho, Terence (Note 1)	1,000	-	-	-	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Robert William Hong-San YUNG (Note 1)	1,000	-	-	-	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. YU Hon To, David (Note 1)	150	-	-	-	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. SIT Kien Ping, Peter (Note 1)	150	-	-	-	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TAN Hock Seng, Peter (Note 1)	150	-	-	-	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
	<u>6,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,200</u>	<u>1.55%</u>			

Report of the Directors

SHARE OPTIONS (Continued)

Grantees	Number of shares involved in share options (in thousands)				Balance at 31st March 2006	Percentage of issued ordinary shares at 31st March 2006	Exercise price per share HK\$	Date of conditional grant	Exercisable period
	Balance at 18th October 2005	Granted during the year	Exercised during the year (Note 3)	Lapsed during the year (Note 3)					
MPE's directors:									
Tan Sri Datuk TIONG Hiew King (Note 1)	1,250	-	-	-	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Dr. TIONG Ik King (Note 1)	1,000	-	-	-	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TANG Ying Yu (Note 1)	150	-	-	-	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Victor YANG (Note 1)	150	-	-	-	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
	<u>2,550</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,550</u>	<u>0.64%</u>			
Full time employees (Note 1)	4,650	-	-	100	4,550	1.14%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Full time employees (Note 2)	1,280	-	-	108	1,172	0.29%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Total	<u>14,680</u>	<u>-</u>	<u>-</u>	<u>208</u>	<u>14,472</u>	<u>3.62%</u>			

Notes:

In relation to the options granted to the grantees, either of the following two vesting scales has been applied:

- (1) 20% of the Company's shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or
- (2) 100% of the Company's shares comprised in each of the option will fully vest on the first anniversary of the Listing Date,

as the case may be, which has been specified in the offer letters to the grantees. Subject to the relevant vesting period, each option has a 10-year exercise period from the date of the offer of the option. As evidenced by the vesting periods of the options granted under the Pre-IPO Scheme, no option granted under the Pre-IPO Scheme will be exercisable within six months from the Listing Date.

- (3) During the year, 208,000 share options have been lapsed by reason of the grantees ceased to be full time employees of the Company and its subsidiaries. No share option was exercised or cancelled during the year.

The fair value of the options granted is set out in note 12 to the financial statements.

Report of the Directors

SHARE OPTIONS (Continued)

Apart from the Schemes, at no time during the period were rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Tan Sri Datuk TIONG Hiew King [#]	(appointed on 14th April 2005 and resigned on 24th August 2005)
Mr. TIONG Kiu King	(appointed on 14th April 2005)
Mr. TIONG Kiew Chiong	(appointed on 11th March 2005)
Mr. Peter Bush BRACK	(appointed on 14th April 2005)
Mr. TUNG Siu Ho, Terence	(appointed on 14th April 2005)
Mr. Robert William Hong-San YUNG	(appointed on 14th April 2005)
Mr. YU Hon To, David*	(appointed on 20th June 2005)
Mr. SIT Kien Ping, Peter*	(appointed on 20th June 2005)
Mr. TAN Hock Seng, Peter*	(appointed on 20th June 2005)

* Independent non-executive Directors

Non-executive Director

In accordance with Article 108(a) of the Articles, Mr. TIONG Kiew Chiong retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Article 112 of the Articles, Mr. TIONG Kiu King, Mr. Peter Bush BRACK, Mr. TUNG Siu Ho, Terence, Mr. Robert William Hong-San YUNG, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter retire by rotation and, being eligible, offer themselves for re-election.

The Company has received an annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS (Continued)

The appointment of the executive Directors of the Company is for an initial fixed term of one year starting from 1st September 2005 and shall continue unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to terminate the appointment.

The term of appointment of the independent non-executive Directors of the Company is one year and six months starting from 1st October 2005 and ending on 31st March 2007.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

TIONG Kiu King, aged 71, is the Chairman of the Company. He has been an executive director of MPE since October 1995 and was appointed as an executive Director in April 2005. Mr. TIONG has extensive experience in the media business. He graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong. He is a brother of Tan Sri Datuk TIONG Hiew King, the Chairman of MPE, and Dr. TIONG Ik King, the executive director of MPE.

TIONG Kiew Chiong, aged 46, is the Deputy Chairman of the Company. He was appointed as an executive Director in March 2005 and has been an executive director of MPE since May 1998. Mr. TIONG has extensive experience in the media business. He is one of the founders of The National, a newspaper in Papua New Guinea launched in 1993 and was formerly a director of Sin Chew Media Corporation Berhad in Malaysia. Mr. TIONG obtained a Bachelor of Business Administration from York University in Canada.

Peter Bush BRACK, aged 35, is the Chief Executive Officer of the Group. Mr. BRACK joined the Group in May 2004 and was appointed as an executive Director in April 2005. Mr. BRACK is in charge of the overall management of the Group. Mr. BRACK is also the Chairman and a director of Redgate Media Inc.. Prior to joining the Group, he had been a senior executive at Time Warner for more than 10 years. He was the Vice President of Advertising Sales at Turner Broadcasting Asia Pacific (CNN, Cartoon Network), Senior Vice President of the Asian editions of Time and Fortune, and the Vice President of Time Inc International. Mr. BRACK obtained a Bachelor of Arts in English Literature from Tulane University in the United States.

TUNG Siu Ho, Terence, aged 44, is the Chief Operating Officer of the Group. He is in charge of the business operation of the Group. Mr. TUNG joined the MPE Group in September 1998 as the Sales Director of Ming Pao Magazines Limited and was appointed as an executive Director in April 2005. He has extensive experience in the media business and was formerly a director and General Manager of Metropolitan Publications Limited. He is the Honourable Secretary of The Society of Publishers Asia. Mr. TUNG obtained a Bachelor of Arts from the University of Toronto in Canada.

Report of the Directors

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Robert William Hong-San YUNG, aged 35, is the Chief Strategy Officer of the Group. Mr. YUNG joined the Group in May 2004 and was appointed as an executive Director in April 2005. Mr. YUNG is in charge of strategic planning of the Group. Mr. YUNG is also a director of Redgate Media Inc.. Prior to joining the Group, he was a founder and Chief Executive Officer of One Studio, a venture capital backed Chinese software development and consultancy company with operations in China and Japan. Mr. YUNG obtained a Master of Arts from New York University in the United States.

Independent non-executive Directors

YU Hon To, David, aged 58, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. YU is a fellow of the Institute of Chartered Accountants in England and Wales, and a member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr. YU is a founder and director of Management Capital Limited, a company which specializes in direct investment and financial advisory activities. Mr. YU is currently an independent non-executive director of MPE and several other companies listed on the Stock Exchange.

SIT Kien Ping, Peter, aged 53, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He is a solicitor of Hong Kong, a notary public, a China-appointed attesting officer, and an adjudicator of the Immigration Tribunal. Mr. SIT has over 27 years of experience in advising on commercial transactions and conveyancing projects, and currently is a senior and founding partner of Sit, Fung, Kwong & Shum, a law firm in Hong Kong. Mr. SIT is currently an independent non-executive director of Asia Commercial Holdings Limited, a company listed on the Stock Exchange.

TAN Hock Seng, Peter, aged 72, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. TAN is currently the director of International Credit Money Research Centre of Yenching Institute and a visiting professor of the College of Arts and Science of Beijing United University. He is an experienced investor and researcher in the area of currency economics and had organized various seminars about international currencies and economies in the PRC. Mr. TAN obtained a Bachelor in Geology from Peking Geology University in the PRC.

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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior management

LAM Pak Cheong, aged 38, is the Chief Financial Officer and the Company Secretary of the Company. He is in charge of the financial and investment operation of the Group. Mr. LAM has extensive experience in financial management, mergers and acquisitions, corporate development, fund raising and investor relations. He is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, respectively. Mr. LAM obtained a Master of Business Administration in Financial Services jointly from the University of Manchester and the University of Wales, Bangor in the United Kingdom.

LAU Yat Fan, aged 41, is the Chief Executive Officer (China Operation). He is in charge of the general management of the Group's operation in the PRC. Mr. LAU has extensive experience in various businesses in China, including media, advertising, property and trading. He is very familiar with the China market and is an experienced entrepreneur in China.

LUNG King Cheong, aged 52, is the Chief Editor of *Ming Pao Weekly*. He is in charge of the overall editorial works and the general management of the editorial team of *Ming Pao Weekly*. Mr. LUNG has extensive publishing and editorial experience in Hong Kong. Prior to joining the Group, he was the Chief Editor and Publisher of *Hong Kong Today*. Mr. LUNG is very familiar with the media industry and is one of the most experienced chief editors of lifestyle magazines in Hong Kong.

YEUNG Ying Fat, aged 38, is the Financial Controller and the Qualified Accountant of the Company. He is in charge of the financial and management accounting of the Group. Mr. YEUNG has extensive experience in financial accounting and management accounting. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to this, he had worked in several international accounting firms for more than 4 years. Mr. YEUNG obtained a Bachelor of Management in Accounting from the University of Lethbridge in Canada.

WONG Ching Hang, Cynthia, aged 39, is the Business Director (South China Region) of the Group. She is in charge of the overall advertising sales and the business development of *Ming Pao Weekly* and *MING*. Ms. WONG has extensive advertising sales experience in the media industry. She obtained a Higher Certificate in Marketing and Sales Management from Hong Kong Polytechnic University in Hong Kong.

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31st March 2006, the interests or short position of the Directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified or as required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(a) Interests in the Company's shares

Name of Director	Number of shares/underlying shares held				Interests in underlying shares pursuant to share options (Note)	Aggregate interests	Percentage of interest as at 31st March 2006
	Personal interest	Family interest	Corporate interest	Total interests in shares			
Mr. TIONG Kiu King	-	-	-	-	1,250,000	1,250,000	0.31%
Mr. TIONG Kiew Chiong	-	-	-	-	1,250,000	1,250,000	0.31%
Mr. Peter Bush BRACK	-	-	-	-	1,250,000	1,250,000	0.31%
Mr. TUNG Siu Ho, Terence	-	-	-	-	1,000,000	1,000,000	0.25%
Mr. Robert William Hong-San YUNG	-	-	-	-	1,000,000	1,000,000	0.25%
Mr. YU Hon To, David	-	-	-	-	150,000	150,000	0.04%
Mr. SIT Kien Ping, Peter	-	-	-	-	150,000	150,000	0.04%
Mr. TAN Hock Seng, Peter	310,000	-	-	310,000	150,000	460,000	0.12%

Note: For further details on these share options, please refer to the paragraph "Share Options".

(b) Interests in shares in MPE

Name of Director	Number of shares/underlying shares held				Total number of MPE shares in which the Director has or is deemed to have interests	Approximate percentage of interest in MPE as at 31st March 2006
	Personal interest	Family interest	Corporate interest	Deemed interest in MPE shares pursuant to share options (Note)		
Mr. TIONG Kiu King	611,000	147,000	-	600,000	1,358,000	0.34%
Mr. TIONG Kiew Chiong	1,200,000	-	-	600,000	1,800,000	0.44%

Note: These represent share options granted by MPE to the relevant Directors under the share option scheme approved at a special general meeting of MPE held on 21st August 2001 to subscribe for shares in MPE. Further details of these share options are as follows:

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DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARE CAPITAL AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Continued)

(b) Interests in shares in MPE (Continued)

	Underlying MPE shares pursuant to share options	Approximate percentage of interest in MPE	Exercise price per MPE share	Date of grant	Exercisable period
Mr. TIONG Kiu King	300,000	0.074%	1.592	31/08/2001	01/09/2001 to 20/08/2011
	300,000	0.074%	1.800	15/09/2003	16/09/2003 to 20/08/2011
Mr. TIONG Kiew Chiong	300,000	0.074%	1.592	31/08/2001	01/09/2001 to 20/08/2011
	300,000	0.074%	1.800	15/09/2003	16/09/2003 to 20/08/2011

Save as disclosed above and those disclosed under the paragraph headed "Share Options", as at 31st March 2006, none of the Directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31st March 2006, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of issued ordinary shares as at 31st March 2006
Winmax (Note)	295,500,000	Beneficial owner	73.88%
JP Morgan Chase & Co.	23,888,000	Institutional investor	5.97%

All the interests stated above represent long positions in the shares of the Company.

Note: Winmax Resources Limited ("Winmax") is beneficially owned as to 60% by Starsome Limited ("Starsome") and 40% by RGM Ventures Limited. Starsome is an indirect wholly-owned subsidiary of MPE. RGM Ventures Limited is an indirect wholly-owned subsidiary of Redgate Media Inc. ("Redgate Media"). Redgate Media is beneficially owned as to 15.59% by Mr. Peter Bush BRACK and 1.69% by his associates, 9.95% by Mr. Robert William Hong-San YUNG, 9.95% by Ms. ZHU Ying, 4.22% by Mr. LAU Yat Fan and 58.6% by other independent third parties not connected with the Company.

Save as disclosed above and those disclosed under "Directors' interests and short positions in the share capital and debentures of the Company and its associated corporations", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company as at the 31st March 2006.

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MANAGEMENT CONTRACTS

Unless otherwise disclosed in this report and those disclosed under the paragraph headed "Continuing Connected Transactions," no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the Group sold less than 30% of its goods and services to its 5 largest customers.

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

Purchases

– the largest supplier	19%
– five largest suppliers combined	50%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2006, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 30 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the prospectus dated 30th September 2005 of the Company, a number of connected transactions have been entered into and will continue to be carried out between members of the Group and members of the MPE Group ("Continuing Connected Transactions").

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the various licensing agreements are considered to be non-exempt continuing connected transactions and would require compliance with the reporting, announcement and independent shareholders' approval requirements. Certain magazine services and administrative services transactions are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements. A waiver from strict compliance with the announcement and/or independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempt Continuing Connected Transactions was granted by the Stock Exchange.

Save for the Continuing Connected Transactions exempted under Rules 14A.33(1), 14A.33(2) and 14A.33(3) of the Listing Rules, details of the non-exempt Continuing Connected Transactions during the year are set out as follows:

Nature of transactions	2006	Annual Caps
	HK\$'000	HK\$'000
Licensing fees (<i>note 1</i>)	13,658	18,100
Circulation support services charge (<i>note 2</i>)	3,117	4,200
Charges for the leasing of:		
(i) computers and other office equipment (<i>note 3</i>)		
(ii) office space, storage space and parking spaces (<i>note 4</i>)	1,738	2,500
	(total of items (i) & (ii))	(total of items (i) & (ii))

Report of the Directors

CONTINUING CONNECTED TRANSACTIONS (Continued)

Notes:

- (1) The licensing fee was determined with reference to the range of licensing fees charged by independent market practitioners in the magazine licensing industry in Hong Kong and Mainland China markets.
- (2) The circulation support services charge was relating to the distribution, sale and promotion of the publications of Group and was determined on cost reimbursement basis.
- (3) Charges for the leasing of computers and other office equipment were determined on cost reimbursement basis and were based on the depreciation charges of the equipment provided.
- (4) Charges for the leasing of office space, storage space and parking spaces were determined on cost reimbursement basis and were based on prevailing market rates of comparable premises.

The Continuing Connected Transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into:

- (a) on normal commercial terms or on terms that are fair and reasonable so far as the equity holders of the Company are concerned;
- (b) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to or from independent third parties; and
- (c) within the relevant cap amounts as agreed by the Stock Exchange.

The auditors of the Company have also confirmed that the Continuing Connected Transactions: (a) have been approved by the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements governing such transactions; and (d) have not exceeded their respective caps.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, it is confirmed that there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules:

The controlling shareholder of the Company is Winmax which owns as to 73.88% of the shareholding of the Company and is beneficially held as to 60% by an indirect wholly-owned subsidiary of MPE, Starsome and 40% by Redgate Media through an indirect wholly-owned subsidiary, RGM Ventures Limited.

Report of the Directors

COMPETING BUSINESS (Continued)

MPE is a publicly listed company in Hong Kong which engages in the publication of Chinese language newspapers in Hong Kong, Toronto, Vancouver, New York and San Francisco, and opinion-led news/current affairs magazines; internet portal operation; printing services and book publishing; and travel and travel related services ("Remaining Business"). The Directors consider that there is a clear delineation between the businesses of MPE and the Group and that there is no competition between the Remaining Business and the business of the Group.

The controlling shareholder of MPE is Conch Company Limited ("Conch") which is ultimately beneficially owned by Tan Sri Datuk TIONG Hiew King and Dr. TIONG Ik King, both being executive directors of MPE, and their associates. Both of them hold directorships in Sin Chew Media Corporation Berhad ("Sin Chew Media"), a company listed on the Bursa Malaysia Securities Berhad, which engages in the publication of Chinese language newspapers in Malaysia. The Directors consider that the Group operates independently from Sin Chew Media and there is no competition between the business of Sin Chew Media and the business of the Group.

Redgate Media is controlled by Mr. Peter Bush BRACK and his associates, Mr. Robert William Hong-San YUNG (both of whom are executive Directors of the Company) and Ms. ZHU Ying as to 17.28%, 9.95% and 9.95%, respectively. Redgate Media is an investment holding company which principally engages in the business of investing in advertising and media companies in the PRC and providing capital and management expertise to them. The Directors consider that Redgate Media is not and will not be in competition with the Group because its shareholding interest in the Company represents the entire magazine related assets of Redgate Media and Redgate Media's interests in the Company comprise substantially the majority of Redgate Media's assets. The Directors consider that the Group operates independently from Redgate Media and there is no competition between the Group and Redgate Media.

Accordingly, the Directors are of the view that the Company is capable of carrying on its business independently of, and at arm's length from the business of each of Sin Chew Media, MPE and Redgate Media.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

TIONG Kiu King

Chairman

Hong Kong, 30th June 2006