1 GENERAL INFORMATION

One Media Group Limited ("the Company") was incorporated in the Cayman Islands on 11th March 2005 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together "the Group") in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 26th September 2005. Following the completion of the public offering and placing of 100,000,000 shares as set out in the prospectus dated 30th September 2005 issued by the Company (the "Prospectus"), the shares of the Company were listed on the Main Board of the Stock Exchange on 18th October 2005 (the "Listing Date").

The Company is an investment holding company. The principal activities of the Group are publication, marketing and distribution of Chinese language lifestyle magazines. Details of the activities of principal subsidiaries are set out in Note 8 of the financial statements.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 30th June 2006.

The Group resulting from the Reorganisation is regarded as a continuing entity and merger accounting has been adopted. Accordingly, the consolidated income statements and consolidated cash flow statements for the years ended 31st March 2006 and 2005 were prepared as if the current group structure had been in existence throughout the periods with reference to the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". The consolidated balance sheet of the Group as at 31st March 2005 has been prepared to present the assets and liabilities of the Group as at 31st March 2005 as if the current group structure had been in existence at that date.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards (("HKFRS") which term collectively includes Hong Kong Accounting Standards ("HKAS") and Interpretations ("HKAS-Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of Appendix 16 of the Rules governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The adoption of new/revised HKFRS

In preparing the consolidated financial statements for the year ended 31st March 2006, the Group adopted the new/revised HKFRS below, which are relevant to the Group's operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS–Int 31	Revenue – Barter Transactions Involving Advertising Services

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

The adoption of HKASs 2, 7, 8, 10, 16, 17, 21, 23, 27, 32, 33, 38, 39 and HKAS-Int 31 did not result in substantial changes to the Group's accounting policies. In summary:

- HKASs 2, 7, 8, 10, 16, 17, 23, 27, 32, 33, 38, 39 and HKAS-Int 31 had no material effect on the Group's policies.

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

HKAS 1: Presentation of Financial Statements

The adoption of HKAS 1 has resulted in changes in presentation in the consolidated financial statements. It has no effect on the profit attributable to equity holders of the Company. Certain comparative figures have been amended to comply with the new presentation requirements.

HKAS 24: Related Party Disclosures

The adoption of HKAS 24 has expanded the definition of related parties to include key management of the Group.

HKFRS 2: Share-based Payment

The Group newly adopted HKFRS 2 since 1st April 2005. Under HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the consolidated income statement and credited to employee share-based payment reserve under equity.

Share options were conditionally granted under the pre-IPO share option scheme (details are disclosed in the Prospectus) to employees of the Group on 27th September 2005 and was approved upon the listing of the Company on the Listing Date. The impact to the consolidated income statement of the Group for the year ended 31st March 2006 was HK$794,000.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

HKAS 36: Impairment of Assets

HKFRS 3: Business Combinations

The adoption of HKFRS 3 and HKAS 36 result in a change in the accounting policy for goodwill. Prior to this, goodwill was amortised on a straight-line basis over a maximum period of 15 years and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1st April 2005 onwards and goodwill is tested annually for impairment, as well as when there is indication of impairment. The accumulated amortisation as at 1st April 2005 has been offset against the cost of goodwill, with no comparatives restated. The Group's goodwill as at 31st March 2006 and 2005 amounted to HK$2,028,000.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than HKFRS 3, which is prospectively applied after 1st April 2005.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March 2006.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture, fixtures, office equipment and computer equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight–line method to allocate cost over their estimated useful lives, as follows:

– Leasehold improvements	shorter of 10% – 25% or lease term
– Furniture, fixtures and office equipment	20% –30%
– Computer equipment	30%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st April 2005 was amortised on a straight–line basis over a maximum period of 15 years and assessed for indication of impairment at each balance sheet date. The Group ceased amortisation of goodwill from 1st April 2005 onwards and goodwill is tested annually for impairment as well as when there is indication of impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within selling and distribution costs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks. Bank overdrafts are shown as current liabilities on the balance sheet.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14 Employee benefits

(a) Pension obligations

The Group's fellow subsidiary, Ming Pao Holdings Limited, operates a hybrid retirement benefit scheme (the "Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of these retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans of the Scheme are generally funded by payments from the Group and/or employees.

The Group's contributions to the Scheme are made based on the periodic recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans of the Scheme and the MPF Scheme are expensed as incurred. The Group's contributions to the defined contribution plans of the Scheme are reduced by the Group's contributions forfeited by those employees who leave the Scheme prior to vesting fully in the Group's contributions.

For the defined benefit plans of the Scheme, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefit is charged to the income statement so as to spread the regular pension costs over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the Scheme. The pension obligation is measured as the present value of the estimated future cash outflows of the Scheme by reference to market yields at balance sheet date based on Exchange Fund Notes which have terms similar to the estimated terms of the benefits obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

(a) *Pension obligations (Continued)*

Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(b) *Long service payment*

The Group's net obligations in respect of long service payment on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date based on Exchange Fund Notes which have terms similar to the estimated terms of the related liability.

(c) *Share-based compensation scheme*

The Group operates two equity-settled share-based compensation schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

(e) Bonus plans

The expected cost of bonus plans is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by the employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.16 Revenue recognition

Revenue from the circulation and subscription sales of periodicals, net of trade discounts and returns, is recognised on the transfer of risks and reward of ownership, which generally coincides with the date of delivery. Unearned subscription fee received from subscribers are recorded as subscription received in advance under trade and other payables in the balance sheet.

Advertising income, net of trade discounts, is recognised when the periodicals are published.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.17 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged in the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19 Provision for sales returns

Turnover is stated net of provision for sales returns. Provision for sales returns is made by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to customers.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including currency risk, credit risk and cash flow interest-rate risk. The Group's overall risk management policies seek to minimise potential adverse effects of these risks on the Group's financial performance. The policies for managing these risks are summarised below.

(a) Currency risk

The Group mainly operates in Hong Kong and PRC and the major exchange rate risks arise from fluctuations in the US dollars, HK dollars and Renminbi ("RMB"). For majority of transactions conducted in Hong Kong, both sales and cost of sales are denominated in HK dollars or US dollars. For operations in China, all revenues and most of the cost of sales are denominated in RMB, while part of the purchases are denominated in US dollars or HK dollars.

(b) Credit risk

The Group manages its credit risk associated with trade receivable through the application of ongoing credit evaluations and monitoring procedures.

(c) Cash flow and fair value interest rate risk

The Group's cash balances are exposed to the risk arising from changing interest rates. The Group has cash balances placed with reputable banks that generate interest income for the Group. The Group manages its interest rate risk by placing deposits at various maturities and interest rate terms.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements concerning the future based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on assessment of the recoverability of trade and other receivables. Provisions are made for any specific trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. As at 31st March 2006, a provision for impairment of trade and other receivables totaling HK$604,000 and HK$180,000 respectively were recognised in the consolidated income statement for the year ended 31st March 2006.

(b) Defined benefits plan's assets

Determining the carrying amount of defined benefit plan's assets requires actuarial assumptions made in respect of discount rate, rate of return on plan's assets and rate of future salary increases. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the balance sheet. Details of these actuarial assumptions are set out in Note 19.

(c) Fair value of share options at grant date

Determining the fair value of share options at grant date requires actuarial assumptions made in respect of the volatility of the stock, risk-free interest rates, forfeiture rate and sub-optional exercise factors. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the equity. Details of these actuarial assumptions are set out in Note 12.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have indication of impairment in accordance with the accounting policy stated in Notes 2.5 and 2.7. The recoverable amounts of property, plant and equipment will be determined based on higher of assets' fair value less costs to sell or value–in–use calculations. These calculations require the use of judgements and estimates.

(f) Provision for sales returns

As at 31st March 2006, the provision for sales returns of the Group was amounted to HK$927,000. This provision was recognised by the Group basing on the best estimates and the actual return will impact the income statement in the period in which the actual return is determined.

5 REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the publication, marketing and distribution of Chinese language lifestyle magazines. Revenues recognised during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Turnover		
Advertising income, net of trade discounts	**151,497**	136,713
Sales of periodicals, net of trade discounts and returns	**36,478**	40,402
	187,975	177,115
Other gains		
Bank interest income	**1,645**	1
Total revenues	**189,620**	177,116

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments

The Group operates mainly in two geographical areas, Hong Kong and Mainland China. The segment results for the year ended 31st March 2005 are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Turnover	166,328	10,787	177,115
Segment results	35,823	(1,604)	34,219
Other gains			1
Unallocated expenses *(Note)*			(5,728)
Finance costs *(Note 23)*			(95)
Profit before income tax			28,397
Income tax expense *(Note 24)*			(6,011)
Profit for the year			22,386

The segment results for the year ended 31st March 2006 are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Turnover	**171,882**	**16,093**	**187,975**
Segment results	**26,940**	**(14,959)**	**11,981**
Other gains			**1,645**
Unallocated expenses			**(8,216)**
Finance costs *(Note 23)*			**(306)**
Profit before income tax			**5,104**
Income tax credit *(Note 24)*			**1,918**
Profit for the year			**7,022**

Note: Corporate expenses incurred by the Group in the current year are classified as unallocated expenses. Accordingly, certain comparative figures have been reclassified to conform to the current year's presentation.

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments (Continued)

Other segment terms included in the consolidated income statement are as follows:

	Year ended 31st March 2006			Year ended 31st March 2005		
	Hong Kong	**Mainland China**	**Group**	Hong Kong	Mainland China	Group
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Depreciation *(Note 6)*	**909**	**459**	**1,368**	645	115	760
Amortisation *(Note 7)*	**–**	**–**	**–**	–	137	137
Impairment of trade receivables	**417**	**187**	**604**	1,045	14	1,059

The segment assets and liabilities at 31st March 2005 and capital expenditure for the year then ended are as follows:

	Hong Kong	**Mainland China**	**Eliminations**	**Unallocated**	**Group**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	61,660	10,612	(7,240)	–	65,032
Liabilities	(36,933)	(9,890)	7,240	(2,726)	(42,309)
Capital expenditure ***(Notes 6 and 7)***	1,520	2,700	–	–	4,220

The segment assets and liabilities at 31st March 2006 and capital expenditure for the year then ended are as follows:

	Hong Kong	**Mainland China**	**Eliminations**	**Unallocated**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Assets	**170,438**	**19,685**	**(25,490)**	**5,745**	**170,378**
Liabilities	**(23,605)**	**(30,124)**	**25,490**	**(83)**	**(28,322)**
Capital expenditure ***(Note 6)***	**848**	**2,389**	**–**	**–**	**3,237**

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments (Continued)

Segment assets consist primarily of property, plant and equipment, goodwill, inventories, trade and other receivables and operating cash. They exclude deferred income tax assets and income tax recoverable.

Segment liabilities comprise operating liabilities. They exclude deferred income tax liabilities and income tax liabilities.

Capital expenditure comprises additions to property, plant and equipment (Note 6).

Secondary reporting format – business segments

No business segment analysis is presented as the Group has been operating in a single business segment, which is publication, marketing, distribution of Chinese language lifestyle magazines, throughout the years ended 31st March 2006 and 2005.

6 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Costs				
At 1st April 2004	1	719	467	1,187
Additions	207	330	1,518	2,055
Acquisition of subsidiaries	32	35	175	242
Disposals	–	(4)	(29)	(33)
At 31st March 2005	240	1,080	2,131	3,451
At 1st April 2005	240	1,080	2,131	3,451
Additions	1,018	539	1,680	3,237
Disposals	(86)	(32)	(25)	(143)
At 31st March 2006	1,172	1,587	3,786	6,545
Accumulated depreciation				
At 1st April 2004	–	52	33	85
Charge for the year	59	275	426	760
Disposals	–	(3)	(17)	(20)
At 31st March 2005	59	324	442	825
At 1st April 2005	59	324	442	825
Charge for the year	232	354	782	1,368
Disposals	(86)	(11)	(12)	(109)
At 31st March 2006	205	667	1,212	2,084
Net book value				
At 31st March 2005	181	756	1,689	2,626
At 31st March 2006	967	920	2,574	4,461

Depreciation is expensed in the administrative expenses.

7 GOODWILL

	2006 HK$'000	2005 HK$'000
Cost		
Beginning of the year	**2,165**	–
Opening balance adjustment to eliminate against accumulated amortisation and impairment at 1st April 2005	**(137)**	–
Acquisition of subsidiaries	**–**	2,165
End of the year	**2,028**	2,165
Accumulated amortisation and impairment		
Beginning of the year	**137**	–
Opening balance adjustment to eliminate against cost at 1st April 2005	**(137)**	–
Amortisation and impairment for the year	**–**	137
End of the year	**–**	137
Net book value		
At 31st March	**2,028**	2,028

8 INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost *(Note (a))*	**8,700**	–
Amounts due from subsidiaries *(Note (b))*	**29,508**	1
	38,208	1

8 INTERESTS IN SUBSIDIARIES (Continued)

(a) The following is a list of the principal subsidiaries at 31st March 2006:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
One Media Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	20,000 ordinary shares of US$0.01 each	[1]100%
Top Plus Limited *(Note (iii))*	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US$1 each	100%
Ming Pao Magazines Limited (formerly known as Lisport Company Limited)	Hong Kong, limited liability company	Magazines publishing in Hong Kong	165,000 ordinary shares of HK$10 each	100%
One Media (HK) Limited (formerly known as Ming Pao Magazines Limited)	Hong Kong, limited liability company	Dormant	10 ordinary shares of HK$1 each	100%
Media2U Company Limited	Hong Kong, limited liability company	Magazines advertising and operation in Hong Kong	101 ordinary shares of HK$1 each	100%
One Media Group (HK) Limited (formerly known as M2U Advertising Company Limited)	Hong Kong, limited liability company	Dormant	100 ordinary shares of HK$1 each	100%
Media2U (BVI) Company Limited *(Note (iii))*	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Media2U (Beijing) Company Limited ("Media2U (Beijing)") (展鵬共創媒體諮詢(北京)有限責任公司) *(Note (i))*	People's Republic of China ("PRC"), limited liability company	Magazines operation in PRC	Registered capital of US$70,000	100%

8 INTERESTS IN SUBSIDIARIES (Continued)

(a) The following is a list of the principal subsidiaries at 31st March 2006: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Beijing Times Resource Technology Consulting Limited ("TRT") (北京新時代潤誠科技諮詢有限公司) *(Note (ii))*	PRC, limited liability company	Magazines operation in PRC	Registered capital of RMB3,000,000	[2]100%
Beijing Times Resource Advertising Company Limited ("TRA") (北京時代潤誠廣告有限公司) *(Note (ii))*	PRC, limited liability company	Magazines advertising in PRC	Registered capital of RMB3,500,000	[2]100%
Beijing OMG M2U Advertising Company Limited ("Beijing M2U") (北京萬華共創廣告有限公司) *(Note (i))*	PRC, limited liability company	Magazines advertising in PRC	Registered capital of RMB11,000,000	[3]100%

1 Shares held directly by the Company.

2 TRT and TRA are domestic enterprises in PRC owned legally by the PRC nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that operating and financing activities of TRT and TRA are ultimately controlled by the Group. Under these arrangements, the Group is also entitled to substantially all of the operating profits and residual interests generated by TRT and TRA which will be transferred to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. Further, the Group can receive the cash flow derived from the operations of TRT and TRA through the levying of service and consultancy fees. The ownership interests in TRT and TRA have also been pledged by the legal owners of these companies to the Group. On this basis, the directors regard these companies as wholly-owned subsidiaries of Media2U Company Limited.

3 Beijing M2U is 70% and 30% held by Media2U Company Limited and TRA respectively.

8 INTERESTS IN SUBSIDIARIES (Continued)

(a) The following is a list of the principal subsidiaries at 31st March 2006: (Continued)

Notes:

(i) Media2U (Beijing) and Beijing M2U have adopted 31st December as its financial year end date. Beijing Prosperity of New Era Certified Public Accountants acted as the statutory auditors of these companies for the financial year ended 31st December 2005.

(ii) These companies have adopted 31st December as their financial year end date. No statutory accounts of these companies are required for the financial years ended 31st December 2005 and 2004.

(iii) No statutory accounts of these entities are required for the financial years ended 31st March 2006 and 2005.

(b) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivable	**46,679**	44,577	**–**	–
Less: provision for impairment of trade receivable	**(1,471)**	(1,035)	**–**	–
Trade receivable – net	**45,208**	43,542	**–**	–
Prepayments and deposits	**6,807**	5,678	**79**	–
	52,015	49,220	**79**	–

The carrying amounts of trade and other receivables approximate their fair values.

The Group allows in general a credit period ranging from 60 days to 90 days to its trade customers. At 31st March 2006, the ageing analysis of the Group's net trade receivable was as follows:

	2006	2005
	HK$'000	HK$'000
0 to 60 days	**24,422**	24,375
61 to 120 days	**13,408**	13,096
121 to 180 days	**6,394**	5,591
Over 180 days	**984**	480
	45,208	43,542

9 TRADE AND OTHER RECEIVABLES (Continued)

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The Group has recognised a loss of HK$604,000 (2005: HK$1,059,000) for the impairment of its trade receivable during the year ended 31st March 2006. The loss has been included in selling and distribution costs in the consolidated income statement.

10 INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**10,963**	1,932
Finished goods	**114**	127
	11,077	2,059

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$47,786,000 (2005: HK$29,844,000).

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**8,862**	8,175	**29**	–
Short-term bank deposits	**85,258**	–	**76,258**	–
	94,120	8,175	**76,287**	–

The effective interest rate on short–term bank deposits was 4.37% (2005: Nil); these deposits have an average maturity of 30 days.

11 CASH AND CASH EQUIVALENTS (Continued)

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**94,120**	8,175	**76,287**	–
Bank overdrafts	**(30)**	–	**–**	–
	94,090	8,175	**76,287**	–

Included in the cash and cash equivalents of the Group are cash and bank deposits denominated in Renminbi placed with banks in the Mainland China amounting to HK$4,318,000 (2005: HK$879,000), of which the remittance is subject to foreign exchange control.

12 SHARE CAPITAL

	Number of shares (in thousands)	**Ordinary shares** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 11th March 2005 (date of incorporation) and 31st March 2005	1,000	1	–	1
Issuance of shares for Reorganisation *(Note (a))*	299,000	299	8,406	8,705
Issuance of shares for IPO *(Note (b))*	100,000	100	102,967	103,067
At 31st March 2006	400,000	400	111,373	111,773

The total authorised number of ordinary shares is 4,000 million shares (2005: 100 million shares) with a par value of HK$0.001 per share (2005: HK$0.001 per share). All issued shares are fully paid. Pursuant to the written resolution of the sole shareholder of the Company passed on 14th September 2005, the authorised share capital of the Company was increased from 100 million shares to 4,000 million shares by the creation of an additional 3,900 million shares.

Notes:

(a) On 26th September 2005, the Company allotted and issued 294,500,000 shares to its immediate holding company credited as fully paid in consideration of the transfer of the entire issued share capital of its subsidiary to the Company. On the same date, the Company allotted and issued 3,000,000 shares to Venture Logic Investments Limited and 1,500,000 shares to Alpha Media Consultants Limited for cash at par pursuant to the exercise of the options granted.

(b) The Company issued 100,000,000 shares at HK$1.2 per share by way of public offer and placing in October 2005. The shares of the Company were listed on the Main Board of the Stock Exchange on 18th October 2005. Share issuance costs of HK$17,088,000 were offset against the share premium at the date of listing.

12 SHARE CAPITAL (Continued)

Share options

The pre-IPO share option scheme ("Pre-IPO Scheme") and the post-IPO scheme ("Post-IPO Scheme") (together the "Schemes") conditionally approved and adopted by ordinary resolutions of the shareholders of the Company and Ming Pao Enterprise Corporation Limited ("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 employees, executive and non-executive directors (including independent non-executive directors) of the Group or the MPE and its subsidiaries (for so long as the Company remains a subsidiary of MPE) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

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.

Movements in the number of share options outstanding and the average exercise price are as follows:

	Average exercise price in HK$ per share	**Number of share options** (in thousands)
At 11th March 2005 (date of incorporation) and 31st March 2005	–	–
Granted	1.2	14,680
Lapsed	1.2	(208)
At 31st March 2006	1.2	14,472

12 SHARE CAPITAL (Continued)

Share options (Continued)

The above share options were conditional granted on 27th September 2005 and the exercisable period is from 18th October 2005 to 25th September 2015 with all of them being non-exercisable as at 31st March 2006.

During the year, no share options were exercised or cancelled and 208,000 share options were lapsed.

The fair value of options granted during the year determined using the binomial option valuation model was HK$6,380,000. The significant inputs into the model were share price of HK$1.2 (being the IPO and placing share price of the Group), volatility of the underlying stock of 48% (being the volatility of the stock returns of listed companies in the media industry in Hong Kong), risk-free interest rates of 4.16% (being the yield of 10-year fund note issued by the Hong Kong Monetary Authority as at 23rd September 2005 ("Valuation Date")), forfeiture rate of 5.7% per annum (with reference to historical staff turnover rates of the Company, its subsidiaries, fellow subsidiaries and related companies), and suboptimal exercise factor of 1.4 (being the factor to account the early exercise behavior of the share option).

Share compensation costs on share options granted are amortised over one year and five years respectively in accordance with terms specified in the Pre-IPO Scheme. HK$794,000 was recognised and specified in the consolidated income statement for the year ended 31st March 2006.

13 AMOUNTS DUE TO THE IMMEDIATE HOLDING COMPANY, A SUBSIDARY AND FELLOW SUBSIDIARIES

All amounts due are unsecured, non-interest bearing and are repayable on demand. The amount due to the immediate holding company of HK$3,339,000 as at 31st March 2005 are financing in nature which has been fully repaid during the year. Except for this, the remaining amounts are trading in nature.

14 OTHER RESERVES

(a) Group

	Employee share-based payment reserve HK$'000	Merger reserve HK$'000 *(Note (i))*	Share premium HK$'000	Capital reserve HK$'000 *(Note (ii))*	Share issuance costs HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance at 1st April 2004	–	1,650	–	10,000	–	–	11,650
Currency translation differences	–	–	–	–	–	3	3
Share issuance costs *(Note 12)*	–	–	–		(432)	–	(432)
Balance at 31st March 2005	–	1,650	–	10,000	(432)	3	11,221
Balance at 1st April 2005	–	1,650	–	10,000	(432)	3	11,221
Share issuance costs *(Note 12)*	–	–	–	–	(16,656)	–	(16,656)
Transfer of share issuance costs	–	–	(17,088)	–	17,088	–	–
Issuance of shares for Reorganisation *(Note 12)*	–	–	8,406	–	–	–	8,406
Issuance of shares for IPO *(Note 12)*	–	–	120,055	–	–	–	120,055
Currency translation differences	–	–	–	–	–	(341)	(341)
Share compensation costs on share options granted *(Note 22)*	794	–	–	–	–	–	794
Balance at 31st March 2006	794	1,650	111,373	10,000	–	(338)	123,479

Notes:

(i) Merger reserve of the Group represented the difference between the nominal value of the issued share capital of One Media (HK) Limited (formerly known as Ming Pao Magazines Limited) and Ming Pao Magazines Limited (formerly known as Lisport Company Limited) acquired and the consideration of HK$11 paid pursuant to the Reorganisation.

(ii) On 31st July 1992, Ming Pao Magazines Limited (formerly known as Lisport Company Limited) assigned the publishing title "City Children's Weekly" to Ming Pao Finance Limited, a fellow subsidiary, for a total consideration of HK$10,000,000. The consideration was determined in accordance with directors' valuation with reference to the consideration paid for the acquisition of the company by Ming Pao Holdings Limited in July 1992. The amount was transferred to the non-distributable reserve during that year.

14 OTHER RESERVES (Continued)

(b) Company

	Share premium HK$'000	Share issuance costs HK$'000	Total HK$'000
Balance at 11th March 2005 (date of incorporation) and 31st March 2005	–	(432)	(432)
Share issuance costs *(Note 12)*	–	(16,656)	(16,656)
Transfer of share issuance costs	(17,088)	17,088	–
Issuance of shares for Reorganisation *(Note 12)*	8,406	–	8,406
Issuance of shares for IPO *(Note 12)*	120,055	–	120,055
Balance at 31st March 2006	111,373	–	111,373

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Trade payable	**11,324**	3,591	**–**	–
Accrued expenses and receipts in advance	**13,799**	8,806	**1,704**	–
	25,123	12,397	**1,704**	–
Amount due to the immediate holding company	**–**	3,339	**–**	–
Amount due to a subsidiary	**–**	–	**–**	432
Amounts due to fellow subsidiaries	**2,402**	1,838	**–**	–
	27,525	17,574	**1,704**	432

15 TRADE AND OTHER PAYABLES (Continued)

At 31st March 2006, the ageing analysis of the trade payable is as follows:

	2006	2005
	HK$'000	HK$'000
0 to 60 days	**8,660**	3,547
61 to 120 days	**2,340**	6
121 to 180 days	**196**	–
Over 180 days	**128**	38
	11,324	3,591

16 TRUST RECEIPT LOANS

	Group	
	2006	2005
	HK$'000	HK$'000
Trust receipt loans	**338**	–

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates is minimal as all trust receipt loans were unsecured and will become mature within 120 days.

The effective interest rates at the balance sheet date was 6.68%. The carrying amounts of trust receipt loans which are denominated in HK dollars approximate their fair values.

17 BANK FACILITIES

The Group has the following undrawn borrowing facilities:

	Group	
	2006	2005
	HK$'000	HK$'000
Floating rate		
– expiring within one year	**19,662**	–

The facilities expiring within one year are annual facilities subject to review at various dates during 2006.

18 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(304)**	–
– Deferred income tax assets to be recovered within 12 months	**(3,727)**	(29)
	(4,031)	(29)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered within 12 months	**292**	270

The movements on the deferred income tax assets/(liabilities) are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Beginning of the year	**(241)**	(75)
Credited/(charged) in the consolidated income statement *(Note 24)*	**3,980**	(166)
End of the year	**3,739**	(241)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Accelerated depreciation allowances
	HK$'000
At 1st April 2004	137
Charged in the consolidated income statement	133
At 31st March 2005	270
Charged in the consolidated income statement	22
At 31st March 2006	292

18 DEFERRED INCOME TAX (Continued)

Deferred income tax assets:

	Tax losses	Provision of assets	Total
	HK$'000	HK$'000	HK$'000
At 1st April 2004	–	(62)	(62)
Charged in the consolidated income statement	–	33	33
At 31st March 2005	–	(29)	(29)
(Credited)/charged in the consolidated income statement	(4,031)	29	(4,002)
At 31st March 2006	(4,031)	–	(4,031)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$1,101,000 (2005: HK$4,300,000) in respect of losses amounting to HK$4,916,000 (2005: HK$24,572,000) that can be carried forward against future taxable income. All unrecognised tax losses will expire by the end of December 2006.

19 DEFINED BENEFIT PLAN'S ASSETS

The Group's fellow subsidiary, Ming Pao Holdings Limited, operates a number of staff retirement schemes which include a hybrid retirement benefit scheme (the "Scheme") for its employees in Hong Kong.

The Scheme has three categories of members: Regular Member, Special Member and Defined Benefit ("DB") Member.

Regular Member – defined contribution type of benefits based on accumulated contributions and investment gains and losses thereon.

Special Member – benefits based on final salary and service period or accumulated employer's contributions with credited investment gains and losses, whichever is higher.

DB Member – defined benefits based on final salary and service period only.

Each member and the employer are also required to contribute monthly at 5% of the basic monthly salaries to the Scheme respectively. The accumulated members' contributions with investment gains and losses will be paid to the members upon their leaving of the employment in addition to the benefits described above.

19 DEFINED BENEFIT PLAN'S ASSETS (Continued)

Defined benefits for special and DB members are assessed using the projected unit credit method. The pension costs are charged to the consolidated income statement so as to spread the regular costs over the service lives of employees. A full valuation of the defined benefit scheme based on the projected unit credit method has been carried out by Watson Wyatt Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the consolidated income statement in accordance with its advice.

The amounts recognised in the consolidated balance sheet are determined as follows:

	2006	2005
	HK$'000	HK$'000
Fair value of plan's assets	**2,917**	2,659
Present value of defined benefit obligations	**(2,520)**	(2,355)
	397	304
Unrecognised actuarial losses	**522**	620
Assets in the consolidated balance sheet	**919**	924

The amounts recognised in the consolidated income statement are as follows:

	2006	2005
	HK$'000	HK$'000
Current service cost	**(152)**	(153)
Interest cost	**(94)**	(82)
Expected return on plan's assets	**188**	167
Net actuarial losses recognised during the year	**(27)**	(28)
Total pension costs, included in staff benefits expenses *(Note 22)*	**(85)**	(96)

Total pension costs were included in administrative expenses in for the years ended 31st March 2006 and 2005.

The actual return on plan's assets was HK$409,000 (2005: HK$224,000).

19 DEFINED BENEFIT PLAN'S ASSETS (Continued)

The movement in the assets recognised in the consolidated balance sheet is as follows:

	2006 HK$'000	2005 HK$'000
Beginning of the year	924	936
Total pension costs recognised as above	(85)	(96)
Contributions paid	80	84
End of the year	919	924

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	4.5%	4%
Expected return on plan's assets	7%	7%
Future salary increases		
2005 – 2007	1.5%	1.5%
2008 onwards	4%	4%

20 LONG SERVICE PAYMENT

The provision for long service payment represents present value of the obligation under long service payment and respective actuarial gains. The movement during the year is the net-off of current service costs and interest on obligation against long service payment during the year. Current service costs and interest on obligation were recognised during the year and included in staff benefits expenses (Note 22).

The amount recognised in the consolidated balance sheet is as follows:

	2006 HK$'000	2005 HK$'000
Present value of the obligation	90	9
Unrecognised actuarial gains	(103)	–
(Assets)/ liabilities	(13)	9

20 LONG SERVICE PAYMENT (Continued)

Movement in the provision for long service payment (assets)/liabilities is as follows:

	2006	2005
	HK$'000	HK$'000
Beginning of the year	**9**	6
Net expense recognised in the consolidated income statement	**1**	3
Long service payment made during the year	**(23)**	–
End of the year	**(13)**	9

The principal actuarial assumption used was as follows:

	2006	2005
Average future working lifetime (in years)	**14**	13

21 EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and distribution costs and administrative expenses are analysed as follows:

	2006	2005
	HK$'000	HK$'000
Depreciation *(Note 6)*	**1,368**	760
Amortisation *(Note 7)*	**–**	137
Employee benefit expense *(Note 22)*	**53,860**	41,370
Raw materials used	**47,786**	29,844
Loss on disposal of property, plant and equipment	**34**	13
Occupancy costs	**2,993**	2,016
Auditors' remuneration	**802**	296

22 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2006	2005
	HK$'000	HK$'000
Wages and salaries	**48,088**	38,229
Unutilised annual leave	**365**	568
Social security costs *(Note a)*	**1,071**	208
Share compensation costs on share options granted *(Note 12)*	**794**	–
Pension costs – defined contribution plans and MPF Scheme *(Note b)*	**1,328**	1,300
Pension costs – defined benefit plans *(Note 19)*	**85**	96
Staff welfare and allowances	**2,129**	969
	53,860	41,370

(a) Social security costs

All employees of the subsidiaries of the Company in the PRC excluding Hong Kong who are PRC citizens participate in employee social security plans enacted in the PRC, including pension, medical and other welfare benefits, which are organised and administrated by the governmental authorities. According to the relevant regulations, the Group contributes on a monthly basis based on certain percentages of the salaries of the employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities. Contributions to the plans are expenses as incurred.

(b) Pensions – defined contribution plans and MPF Scheme

Forfeited contributions totaling HK$143,000 (2005: HK$146,000) were utilised during the year. Forfeiture reserve of HK$3,403,000 (2005: HK$2,953,000) available as at year end has been carried forward to reduce future contributions.

Contributions totaling HK$480,000 (2005: HK$499,000) were payable to the fund at the year-end.

22 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Directors' emoluments

Details of directors' emoluments for the year ended 31st March 2006 are set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Contributions to pension scheme	Share compensation costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. TIONG Kiu King	–	–	–	–	50	50
Mr. TIONG Kiew Chiong	–	–	–	–	50	50
Mr. Peter Bush BRACK	–	1,620	–	11	50	1,681
Mr. TUNG Siu Ho, Terence	–	1,620	95	81	40	1,836
Mr. Robert William Hong-San YUNG	–	1,200	–	11	40	1,251
Independent Non-Executive Directors						
Mr. YU Hon To, David	60	–	–	–	6	66
Mr. SIT Kien Ping, Peter	60	–	–	–	6	66
Mr. TAN Hock Seng, Peter	60	–	–	–	6	66

Details of directors' emoluments for the year ended 31st March 2005 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Contributions to pension scheme	Share compensation costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. TIONG Kiu King	–	–	–	–	–	–
Mr. TIONG Kiew Chiong	–	–	–	–	–	–
Mr. Peter Bush BRACK	–	1,100	–	–	–	1,100
Mr. TUNG Siu Ho, Terence	–	1,380	122	60	–	1,562
Mr. Robert William Hong-San YUNG	–	1,100	–	–	–	1,100
Independent Non-Executive Directors						
Mr. YU Hon To, David	–	–	–	–	–	–
Mr. SIT Kien Ping, Peter	–	–	–	–	–	–
Mr. TAN Hock Seng, Peter	–	–	–	–	–	–

22 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2005: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2005: 3) individuals during the year are as follows:

	2006 **HK$'000**	2005 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,048**	3,863
Discretionary bonuses	**118**	59
Contributions to pension scheme	**126**	103
Share compensation costs on share options granted	**74**	–
	4,366	4,025

The emoluments fell within the following bands:

	Number of individuals	
	2006 **HK$'000**	2005 HK$'000
Emolument bands		
HK$1,000,001 – HK$1,500,000	**2**	3
HK$1,500,001 – HK$2,000,000	**1**	–

23 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on trust receipt loans	263	94
Bank interest expenses	43	1
	306	95

24 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax has been provided at the applicable rates between 7.5% and 33% on the profit of the Group's operations in PRC, in accordance with the income tax laws of PRC for foreign-invested enterprises and domestic companies.

	2006 HK$'000	2005 HK$'000
Hong Kong profits tax		
– current income tax	2,316	5,734
– under/(over)provision in prior years	35	(146)
PRC enterprise income tax		
– current income tax	83	257
– overprovision in prior years	(372)	–
Deferred income tax (credit)/charge *(Note 18)*	(3,980)	166
	(1,918)	6,011

24 INCOME TAX (CREDIT)/EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2006	2005
	HK$'000	HK$'000
Profit before tax	**5,104**	28,397
Notional tax calculated at domestic tax rates applicable to profits in the respective countries	**813**	4,237
Income not subject to tax	**(386)**	–
Expenses not deductible for tax purposes	**1,180**	551
Recognition of deferred income tax asset arising from previously unrecognised tax losses	**(4,291)**	–
Tax losses for which no deferred income tax asset was recognised	**1,103**	1,369
Overprovision in prior years	**(337)**	(146)
Tax (credit)/expense	**(1,918)**	6,011

The weighted average applicable tax rate was −38% (2005: 21%). The decrease is caused by the recognition of previously unrecognised tax losses in year 2006.

25 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$403,000 (2005: HK$Nil).

26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 12).

	2006 HK$'000	2005 HK$'000
Profit attributable to the equity holders of the Company	**7,022**	22,386
Weighted average number of ordinary shares in issue (in thousands)	**343,011**	295,500
Basic earnings per share (HK cents per share)	**2.05**	7.58

The calculation of basic earnings per share for the year is based on the Group's profit attributable to the equity holders of the Company and the weighted average number of ordinary shares. 294,500,000 ordinary shares issued by the Company to the immediate holding company on 26th September 2005 deemed to be in issue during the year as if the share capital of the Company outstanding immediately after the share exchange in connection with the Reorganisation had been in existence throughout the years and the issuance of 4,500,000 ordinary shares pursuant to the exercise of share options in September 2005.

Diluted earnings per share is not shown as there is no dilutive effect arising from the share options granted by the Company.

27 DIVIDENDS

No dividends were paid during the year ended 31st March 2006 (2005: dividend of HK$16,000,000 was paid by the Company's subsidiary, One Media (HK) Limited (previously known as Ming Pao Magazines Limited), to its former shareholder on 28th September 2005). A dividend in respect of 2006 of HK0.375 cent per share, amounting to a total dividend of HK$1,500,000 is to be proposed at the annual general meeting on 8th September 2006. Upon approval by the shareholders of the Company, the final dividend will be paid on 20th September 2006 to shareholders whose names appear on the register of members of the Company on 8th September 2006. These financial statements do not reflect this dividend payable but account for it as proposed dividend.

	2006 HK$'000	2005 HK$'000
Special dividend paid	**–**	16,000
Proposed final dividend of HK0.375 cent (2005: Nil) per ordinary share	**1,500**	–
	1,500	16,000

28 CASH GENERATED FROM OPERATIONS

	2006	2005
	HK$'000	HK$'000
Profit for the year	**7,022**	22,386
Adjustments for:		
– Tax *(Note 24)*	**(1,918)**	6,011
– Depreciation *(Note 6)*	**1,368**	760
– Amortisation *(Note 7)*	**–**	137
– Loss on sale of property, plant and equipment (see below)	**34**	13
– Interest income *(Note 5)*	**(1,645)**	(1)
– Interest expense *(Note 23)*	**306**	95
– Share compensation costs on share options granted	**794**	–
Changes in working capital:		
– Decrease in defined benefit plan's assets	**5**	12
– Decrease in amounts due from fellow subsidiaries	**–**	4,989
– Increase in long service payment assets	**(13)**	–
– (Decrease)/increase in long service payment liabilities	**(9)**	3
– Increase in inventories	**(9,018)**	(147)
– Increase in trade and other receivables	**(2,795)**	(9,017)
– (Decrease)/increase in amount due to the immediate holding company	**(3,339)**	2,895
– Increase in amounts due to fellow subsidiaries	**564**	–
– Increase/(decrease) in trade and other payables	**11,022**	(2,189)
Cash generated from operations	**2,378**	25,947

In the cash flow statement, proceeds from disposal of property, plant and equipment comprise:

	2006	2005
	HK$'000	HK$'000
Net book amount *(Note 6)*	**34**	13
Loss on disposal of property, plant and equipment *(Note 21)*	**(34)**	(13)
Proceeds from disposal of property, plant and equipment	**–**	–

Non-cash transaction

The principal non-cash transaction was the issue of shares as consideration for the acquisition discussed in Note 12.

29 COMMITMENTS

(a) Capital commitments

Capital commitment at the balance sheet date but not yet incurred is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**2,649**	–

(b) Operating lease commitments

The Group leases various offices, staff quarters and warehouses 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 are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than 1 year	**2,994**	2,537
Later than 1 year and not later than 5 years	**7,510**	6,174
	10,504	8,711

There is no capital and operating lease commitment for the Company as at 31st March 2006 (2005: Nil).

30 RELATED-PARTY TRANSACTIONS

The Group is controlled by Winmax Resources Limited (incorporated in the British Virgin Islands), which owns 73.875% of the Company's shares. The remaining 26.125% of the shares are widely held. The ultimate parent of the Group is Ming Pao Enterprise Corporation Limited (incorporated in Bermuda).

The following transactions were carried out with related parties:

(i) During the year ended 31st March 2006, the Group had entered into the following significant transactions with related parties:

	Note	2006 HK$'000	2005 HK$'000
License fee	a	13,658	13,307
Circulation support services	b	3,117	3,240
Library support services	c	304	245
Editorial support services	d	283	410
EDP programming support services	e	943	593
Administrative support services	f	1,664	1,664
Personnel, public relations and legal services	g	961	1,050
Leasing of computers and other office equipment	h	228	326
Leasing of office space, storage space and parking spaces	i	1,510	1,257
Type-setting expenses	j	127	138
Colour separation expenses	k	891	519
Film making expenses	l	198	200
Ticketing and accommodation expenses	m	703	218
Barter advertising expenses	n	1,000	944
Barter advertising income	o	(1,000)	(944)
Printing costs	p	160	–
Promotion expenses	q	93	–
		24,840	23,167

30 RELATED-PARTY TRANSACTIONS (Continued)

(i) During the year ended 31st March 2006, the Group had entered into the following significant transactions with related parties (Continued):

Notes:

(a) This represented license fee of the right to use the trademark for the print of Ming Pao Weekly, Hi-TECH Weekly, City Children's Weekly and their past contents by a fellow subsidiary. It is charged at a pre-determined rate calculated by reference to the license fees charged by third party licensors to the Group.

(b) This represented recharge of circulation support services relating to the distribution, sale and promotion of the publications of the Group by a fellow subsidiary. It is charged on a cost reimbursement basis.

(c) This represented recharge by a fellow subsidiary relating to provision of library support services including data classification, data indexing and filing, data storage management and retrieval, data provision and newspaper clipping. It is charged on a cost reimbursement basis.

(d) This represented recharge of editorial support services relating to specific contents requested by the Group for their publications by a fellow subsidiary. It is charged on a cost reimbursement basis.

(e) This represented recharge of internet-related services, networking services, data management services, general computing and programming support services and system analysis by a fellow subsidiary. It is charged on a cost reimbursement basis.

(f) This represented recharge of security services, cleaning services, mail processing and messenger services, ordering and distribution of office supplies services, receptionist and general clerical services by a fellow subsidiary. It is charged on a cost reimbursement basis.

(g) This represented recharge of personnel, administration service and corporate communication service by a fellow subsidiary. It is charged on a cost reimbursement basis.

(h) This represented the total amount of the depreciation charges of the equipment provided by a fellow subsidiary. They are charged on a cost reimbursement basis.

(i) This represented the rental for leasing of office space, storage space and parking space by a fellow subsidiary. The rentals are charged at a pre-determined rate calculated by reference to the prevailing market rates.

(j) This represented the type-setting charges paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the cost incurred.

(k) This represented the colour separation charge paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the cost incurred.

(l) This represented the film making charge paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the cost incurred.

(m) This represented the ticketing and accommodation expenses paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.

30 RELATED-PARTY TRANSACTIONS (Continued)

(i) During the year ended 31st March 2006, the Group had entered into the following significant transactions with related parties (Continued):

(n) This represented the advertising expenses on barter basis in accordance with barter advertising agreement entered into with a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customer.

(o) This represented the advertising income on barter basis in accordance with barter advertising agreement entered into with a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customer.

(p) This represented the printing costs of promotional leaflets for Hi-TECH Weekly charged by a fellow subsidiary. It is charged at a pre-determined rate calculated based on the costs incurred.

(q) This represented promotion expenses paid to the fellow subsidiaries. It is charged at a pre-determined rate calculated based on the rates charged to third party customers

(ii) Year end balance arising from the related parties transactions as disclosed in Note 30 (i) above were as follows:

	2006	2005
	HK$'000	HK$'000
Amounts due to fellow subsidiaries	**(2,402)**	(1,838)

The outstanding balances with fellow subsidiaries are aged within 30 days and are unsecured, non-interest bearing and with normal credit terms of 30 days.

(iii) Key management compensation

	2006	2005
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**5,800**	4,902
Contributions to pension scheme	**115**	72
Share compensation costs on share options granted	**269**	–
	6,184	4,974