

# | Report of the Directors

The directors submit their report together with the audited financial statements for the year ended 31st March 2006.

## **PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION**

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 38 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 32.

The directors have declared an interim dividend of HK3 cents per ordinary share, totalling HK\$11,805,000 which was paid on 13th January 2006. The directors recommend the payment of a final dividend of HK4 cents per ordinary share, totalling HK\$16,206,000.

## **RESERVES**

Movements in the reserves of the Group and of the Company during the year are set out in note 27 to the financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Movements in the property, plant and equipment of the Group are set out in note 14 to the financial statements.

## **SHARE CAPITAL**

Movements in the share capital of the Company are set out in note 26 to the financial statements.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31st March 2006, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK\$543,665,000 (2005: HK\$492,218,000).

## **FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 88.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company repurchased a total of 1,201,000 of its listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the purpose of enhancing the net asset value per share of the Company. Details of the repurchases are summarised as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration HK\$
		Highest HK\$	Lowest HK\$	
July 2005	413,000	1.75	1.60	699,433
August 2005	153,000	1.62	1.58	243,750
September 2005	40,000	1.59	1.57	62,912
October 2005	330,000	1.50	1.40	478,480
January 2006	177,000	1.40	1.33	240,521
February 2006	30,000	1.40	1.38	41,480
March 2006	58,000	1.40	1.35	81,050
	1,201,000			1,847,626

All the repurchased shares were cancelled during the year. Accordingly, the issued share capital of the Company was reduced by the par value of the repurchased shares and the premiums paid on these shares were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained profits to the capital redemption reserve.

On 20th March 2006, Skyland International Investment Limited, an indirect non-wholly-owned subsidiary of the Company entered into a sale and purchase agreement relating to the acquisition of 50% issued share capital of Yazhou Zhoukan Holdings Limited from Energetic Assets Limited, a wholly-owned subsidiary of TOM Group Limited, at a consideration of HK\$16.2 million. The consideration was satisfied by the issue and allotment of 12,000,000 ordinary shares of the Company at an issued price of HK\$1.35 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

## DIRECTORS

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

- Tan Sri Datuk TIONG Hiew King (*Chairman*)
- Mr TIONG Kiu King
- Dr TIONG Ik King
- Mr TIONG Kiew Chiong (*Chief Executive Officer*)
- \* Mr TANG Ying Yu
- \* Mr David YU Hon To
- \* Mr Victor YANG

\* *independent non-executive directors*

In accordance with bye-law 99(A) of the Company's bye-laws, Tan Sri Datuk TIONG Hiew King, Dr TIONG Ik King and Mr TIONG Kiew Chiong retire by rotation and, being eligible, offer themselves for re-election.

The Company has received annual written confirmations from each independent non-executive director for his independence to the Group and the Company considered all independent non-executive directors to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Executive directors

Tan Sri Datuk TIONG Hiew King, aged 72, has been the Chairman of the Company since October 1995. Tan Sri Datuk TIONG Hiew King is also the Chairman of Sin Chew Media Corporation Berhad (“SCMC”), a listed media company in Malaysia, and the Executive Chairman of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia. He has extensive experience in a number of industries including timber, newspaper publishing, plantations, property development and investment. He is also the President of The Chinese Language Press Institute Limited.

Mr TIONG Kiu King, aged 71, has been an executive director of the Company since October 1995. He is a member of the Executive Committee of the Group and a director of various subsidiaries of the Company. He is also the Chairman of One Media Group Limited (“OMG”), a subsidiary of the Group which was listed on the Stock Exchange on 18th October 2005. Mr TIONG graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He is a brother of Tan Sri Datuk TIONG Hiew King.

Dr TIONG Ik King, aged 55, has been an executive director of the Company since October 1995. He is also a director of SCMC and has extensive experience in newspaper publishing, information technology and timber industries. Dr TIONG graduated with a M.B.B.S. Degree from the National University of Singapore in 1975 and obtained a M.R.C.P. from the Royal College of Physicians in the United Kingdom in 1977. Dr TIONG also sits on the boards of several listed companies in Malaysia and Singapore. He is a brother of Tan Sri Datuk TIONG Hiew King.

Mr TIONG Kiew Chiong, aged 46, joined the Company as an executive director on 2nd May 1998 and was appointed as the Chief Executive Officer of the Company on 13th December 2005. He is the Chairman of the Executive Committee of the Group and a director of various subsidiaries of the Company. He is also the Deputy Chairman of OMG. Mr TIONG has been in the media business for more than 18 years and was formerly a director of SCMC in Malaysia. Mr TIONG graduated with a Bachelor of Business Administration Degree from York University, Toronto, Canada in 1982.

### Independent non-executive directors

Mr TANG Ying Yu, aged 61, has been an independent non-executive director of the Company since April 1995. Mr TANG is a civil engineer and acts as the managing director of both Southern Petroleum Company Limited and Wan Lai Company Limited.

Mr David YU Hon To, aged 58, was appointed as an independent non-executive director of the Company on 30th March 1999. He is also an independent non-executive director of OMG. Mr YU is a fellow of the Institute of Chartered Accountants in England and Wales and an associate 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 a director of Management Capital Limited, which specialises in direct investment and financial advisory activities, and also sits on the boards of several listed companies in Hong Kong.

Mr Victor YANG, aged 60, was appointed as an independent non-executive director of the Company on 23rd September 2004. Mr YANG is a partner with Boughton Peterson Yang Anderson, Solicitors, Hong Kong SAR and is also a qualified lawyer in Canada and the United Kingdom. He has extensive experience in the areas of corporate finance, commercial law, mergers, acquisitions and taxation, and also sits on the boards of several listed companies in Hong Kong and the United States of America.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

### Senior management

Mr ONG See Boon, aged 55, joined the Group in 1997. He is a member of the Executive Committee of the Group, and is the Group Editorial Director and Special Assistant to the Chairman. Mr ONG also holds directorships in various subsidiaries of the Company. Mr ONG, who started his career as a journalist, has over 30 years of experience in the newspaper industry in Hong Kong and Malaysia.

Mr CHEUNG Kin Bor, aged 51, joined the Group in 1986. He is a member of the Executive Committee of the Group, and is a director of Ming Pao Newspapers Limited and Mingpao.com Limited. He is also the Editor-in-chief of Ming Pao Daily News. Mr CHEUNG graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration Degree and has over 28 years of publishing and editorial experience in Hong Kong.

Mr Keith KAM Woon Ting, aged 48, joined the Group in 1995. He is a member of the Executive Committee of the Group, and is a director of Ming Pao Newspapers Limited and Mingpao.com Limited. Mr KAM is also appointed as the Chief Operating Officer of Ming Pao Holdings Limited and Mingpao.com Limited overseeing the sales and marketing, circulation, books publication, Internet and production operations in Hong Kong. He has more than 20 years of experience in the media and advertising industries. Mr KAM is also the Vice-Chairman of The Newspaper Society of Hong Kong.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses that during the year, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King are the directors of the Company as well as the ultimate beneficial owners of the Company's controlling shareholder, Conch Company Limited. Both of them hold directorships in SCMC which is engaged in the business of newspaper publishing in Malaysia. As the board of directors of the Company is independent of the board of SCMC, the Group operates its business independently of, and at arm's length from, the business of SCMC.

Conch Company Limited is also the controlling shareholder of OMG, a subsidiary of the Company which is listed on the Stock Exchange. OMG is engaged in the business of the publication, marketing and distribution of Chinese-language lifestyle magazines and the sale of advertising space in those magazines in Hong Kong and the PRC. The directors consider that there is a clear delineation and no competition between the businesses of the Group and OMG and confirm that the Company is carrying on its business independently of, and at arm's length with, OMG.

## DIRECTORS' SERVICE CONTRACTS

Each of Mr TANG Ying Yu, Mr David YU Hon To and Mr Victor YANG has entered into a service contract with the Company for a term of two years and three months commencing from 1st January 2006 until 31st March 2008, and unless terminated by either party in writing prior to the expiry of the term, the appointment will be renewed for two successive years.

Mr TIONG Kiew Chiong entered into a service contract in May 1998. The service contract shall continue unless and until terminated by either the Company or Mr TIONG Kiew Chiong giving to the other not less than 3 months' prior notice in writing to terminate the service contract.

Save disclosed therein, 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 by the Group within one year without payment of compensation, other than statutory compensation.

## SHARE OPTION SCHEMES

### (a) Share Option Scheme of the Company

Pursuant to a share option scheme (the “MP Scheme”) approved at the Special General Meeting of the Company held on 21st August 2001 and for the primary purpose of providing incentive to full time employees, the directors of the Company may at their discretion invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

(i) Summary of terms:

The maximum individual entitlement of options shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the MP Scheme. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the MP Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding (i) any shares which have been duly allotted and issued pursuant to the MP Scheme and other schemes; and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i). The MP Scheme will remain valid for a period of ten years commencing on 21st August 2001 after which period no further options will be offered. 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\$1.00 by the grantee. Options granted are exercisable at any time within ten years after the date of grant or ten years after the adoption date of the MP Scheme (i.e. 20th August 2011), whichever is earlier.

Pursuant to the Listing Rules’ new requirements governing share option schemes which came into effect on 1st September 2001, certain provisions of the MP Scheme were no longer applicable which included the basis of determining the subscription price. According to the Listing Rules, the share subscription price will be determined as the highest of (i) the nominal value of the shares of the Company, (ii) the average of the closing prices of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the five trading days immediately preceding the granting of the options, and (iii) the closing price of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the date of grant of the share options.

(ii) During the year, movements of the share options granted under the MP Scheme are as follows:

Grantee	Number of shares involved in share options				Balance at 31st March 2006	Percentage of shares at 31st March 2006	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2005	Granted during the year	Exercised during the year	Lapsed during the year (note)					
Directors:									
Tan Sri Datuk									
TIONG Hiew King	300,000	-	-	-	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Tan Sri Datuk									
TIONG Hiew King	300,000	-	-	-	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiu King	300,000	-	-	-	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiu King	300,000	-	-	-	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Dr TIONG Ik King	300,000	-	-	-	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Dr TIONG Ik King	300,000	-	-	-	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiew Chiong	300,000	-	-	-	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiew Chiong	300,000	-	-	-	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
	2,400,000	-	-	-	2,400,000	0.592%			
Full time employees	1,757,000	-	-	-	1,757,000	0.434%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Full time employees	1,040,000	-	-	(30,000)	1,010,000	0.249%	1.320	29/08/2003	30/08/2003 – 20/08/2011
<b>Total</b>	<b>5,197,000</b>	<b>-</b>	<b>-</b>	<b>(30,000)</b>	<b>5,167,000</b>	<b>1.275%</b>			

No share option was granted, exercised or cancelled during the year.

*Note:* During the year, 30,000 share options have lapsed by reason of the grantees ceased to be full time employees of the Company and its subsidiaries.

## SHARE OPTION SCHEMES (Continued)

### (b) Share Option Schemes of OMG

OMG is an exempted company incorporated in the Cayman Islands with limited liability on 11th March 2005 whose shares have been listed on the Main Board of the Stock Exchange since 18th October 2005 and is a subsidiary of the Company owned as to 44.3% at date of this report.

The Pre-IPO Scheme and the Post-IPO Scheme (“OMG Schemes”) were conditionally approved and adopted by ordinary resolutions of the shareholders of OMG and the Company 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 of OMG shall be the offer price; and (b) no options will be offered or granted upon the commencement of dealings in the shares of OMG on the Stock Exchange.

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

#### (i) Summary of terms:

The maximum number of shares in respect of which options may be granted under the OMG 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 OMG (if any) is that number which is equal to 10% of the issued share capital of OMG immediately following the commencement of dealings in the shares of OMG on the Stock Exchange. 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 OMG from time to time.

The period within which an option may be exercised under each of the OMG Schemes will be determined and notified by the board of OMG in its absolute discretion (subject to any vesting periods, if applicable), save that no option may be exercised later than ten years from the date of offer of the option or ten 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 of OMG. 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\$1.00 by the grantee.

Under each of the OMG Schemes, the subscription price in relation to each option shall be determined by the board of OMG in its absolute discretion, but in any event shall be the highest of: (i) the closing price of the shares of OMG as stated in the Stock Exchange’s daily quotation 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 OMG as stated in the Stock Exchange’s daily quotation 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 OMG.

## SHARE OPTION SCHEMES (Continued)

### (b) Share Option Schemes of OMG (Continued)

(i) Summary of terms: (Continued)

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

(1) 20% of the shares comprised in the option will vest on each of the five anniversaries of the OMG listing date from the first anniversary of the listing date to the fifth anniversary of the listing date; or

(2) 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.

(ii) As at 31st March 2006, no option has been granted or agreed to be granted by OMG under the Post-IPO Scheme. During the year, movements of the share options granted under the Pre-IPO Scheme are as follows:

Grantee	Number of shares involved in share options				Balance at 31st March 2006	Percentage of issued ordinary shares of OMG at 31st March 2006	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 18th October 2005	Granted during the year	Exercised during the year	Lapsed during the year (note 2)					
Directors:									
Tan Sri Datuk									
TIONG Hiew King (note 1a)	1,250,000	-	-	-	1,250,000	0.31%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Mr TIONG Kiu King (note 1a)	1,250,000	-	-	-	1,250,000	0.31%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Dr TIONG Ik King (note 1a)	1,000,000	-	-	-	1,000,000	0.25%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Mr TIONG Kiew Chiong (note 1a)	1,250,000	-	-	-	1,250,000	0.31%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Mr TANG Ying Yu (note 1a)	150,000	-	-	-	150,000	0.04%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Mr David YU Hon To (note 1a)	150,000	-	-	-	150,000	0.04%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Mr Victor YANG (note 1a)	150,000	-	-	-	150,000	0.04%	1.200	27/09/2005	18/10/2005 - 25/09/2015
	5,200,000	-	-	-	5,200,000	1.30%			
Full time employees (note 1a)	8,200,000	-	-	(100,000)	8,100,000	2.03%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Full time employees (note 1b)	1,280,000	-	-	(108,000)	1,172,000	0.29%	1.200	27/09/2005	18/10/2005 - 25/09/2015
Total	14,680,000	-	-	(208,000)	14,472,000	3.62%			

No share option was exercised or cancelled during the year.

Notes:

(1) In relation to each option granted to the grantees, either of the following two vesting scales has been applied:

a. 20% of the OMG's shares comprised in the options will vest on each of the five anniversaries of the OMG listing date from the first anniversary of the listing date to the fifth anniversary of the listing date; or

b. 100% of the OMG'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 OMG Schemes, no option granted under the OMG Schemes will be exercisable within six months from the listing date.

(2) During the year, 208,000 share options have lapsed by reason of the grantees ceased to be full time employees of OMG and its subsidiaries.

## SHARE OPTION SCHEMES (Continued)

Apart from the above share option schemes, at no time during the year 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 its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire such rights in any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's businesses 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.

## PARTICULARS OF INTERESTS HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES

At 31st March 2006, the interests of the directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in 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 to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

### (a) Interests in Shares and Underlying Shares in the Company

Name of director	Number of shares/underlying shares held					Interests in underlying shares pursuant to share options (note 2)	Aggregate interests	Percentage of issued ordinary shares at 31st March 2006
	Personal interests	Family interests	Corporate interests (note 1)	Total interests in shares				
Tan Sri Datuk TIONG Hiew King	150,000	–	252,487,700	252,637,700	600,000	253,237,700	62.49%	
Dr TIONG Ik King	–	–	252,487,700	252,487,700	600,000	253,087,700	62.46%	
Mr TIONG Kiu King	611,000	147,000	–	758,000	600,000	1,358,000	0.34%	
Mr TIONG Kiew Chiong	1,200,000	–	–	1,200,000	600,000	1,800,000	0.44%	

Notes:

- (1) The corporate interests of Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King in the Company are jointly held through Conch Company Limited ("Conch") which holds 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.
- (2) These represent share options granted by the Company to the relevant directors under the MP Scheme to subscribe for shares of the Company.



## PARTICULARS OF INTERESTS HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES (Continued)

### (b) Interests in Shares and Underlying Shares in OMG

Name of director	Number of shares/underlying shares held				Interests in underlying shares pursuant to share options (note)	Aggregate interests	Percentage of issued ordinary shares of OMG at 31st March 2006
	Personal interests	Family interests	Corporate interests	Total interests in shares			
Tan Sri Datuk							
TIONG Hiew King	–	–	–	–	1,250,000	1,250,000	0.31%
Mr TIONG Kiu King	–	–	–	–	1,250,000	1,250,000	0.31%
Dr TIONG Ik King	–	–	–	–	1,000,000	1,000,000	0.25%
Mr TIONG Kiew Chiong	–	–	–	–	1,250,000	1,250,000	0.31%
Mr TANG Ying Yu	–	–	–	–	150,000	150,000	0.04%
Mr David YU Hon To	–	–	–	–	150,000	150,000	0.04%
Mr Victor YANG	–	–	–	–	150,000	150,000	0.04%

*Note:* These represent share options granted by OMG to the directors of the Company under the Pre-IPO Scheme conditionally approved by the Company and conditionally approved and adopted by OMG on 26th September 2005 to subscribe for shares of OMG.

Save as disclosed above and those disclosed under “Share Option Schemes”, 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 recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that 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	Percentage of issued ordinary shares at 31st March 2006
Conch Company Limited ( <i>note 1</i> )	252,487,700	62.31%
Dr Louis CHA ( <i>note 2</i> )	40,463,400	9.99%

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

Notes:

- (1) Conch Company Limited ("Conch") owns 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.
- (2) Dr Louis CHA beneficially owns 38,798,400 shares of the Company and Snowdrop Limited, a company wholly-owned by Dr Louis CHA, owns 1,665,000 shares of the Company.

Save as disclosed above and those disclosed under "Particulars of interests held by Directors, Chief Executives and their Associates", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company at 31st March 2006.

## CONTINUING CONNECTED TRANSACTIONS

Following the completion of the strategic alliance with Redgate Media Inc. ("Redgate") in April 2004, Redgate became a connected person of the Company by virtue of Redgate's 40% interest in Winmax Resources Limited and its subsidiaries ("Winmax Group"), an indirect non-wholly-owned subsidiary of the Company and currently operates the magazine business of the Group. Winmax Resources Limited became an associate of Redgate and the continuing connected transactions (the "Transactions") between Winmax Group and the Group are subject to disclosure requirements under the Listing Rules.

Save for the Transactions exempted under Rule 14A.33(1), Rule 14A.33(2) and Rule 14A.33(3)(b) of the Listing Rules, details of the Transactions entered into between Winmax Group and the Group during the year are set out as follows:

Nature of transactions	2006 HK\$'000	Annual Caps HK\$'000
Licensing fee paid by Winmax Group ( <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> )		2,500
(ii) office space, storage space and parking spaces ( <i>note 4</i> )	1,738	2,500
		(total of items (i) & (ii))

## 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 related to the distribution, sales and promotion of the publications of Winmax 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 directors, including the independent non-executive directors of the Company, have reviewed the Transactions and confirmed that the Transactions were entered into by the Group:

- (i) in the ordinary and usual course of the Group's business;
- (ii) on normal commercial terms or on terms that are fair and reasonable so far as the equity holders of the Company are concerned;
- (iii) 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
- (iv) within the relevant cap amounts as agreed by the Stock Exchange.

The above transactions were approved by the Company's board of directors on 30th March 2004 and the details of the above connected transactions were disclosed in an announcement dated 6th April 2004.

## MANAGEMENT CONTRACTS

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.

## PENSION SCHEME ARRANGEMENT

The Group operates a hybrid retirement benefit scheme (the "Scheme") and a Mandatory Provident Fund Scheme (the "MPF") 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 all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group companies and/or employees.

During the year, the Scheme was funded by contributions from both the employees and the Group at 5% each of the monthly basic salaries of the employees. Actual contributions paid by the Group was only 4% of the monthly basic salaries of the employees, the difference was funded from the forfeiture reserve. Forfeited employers' contributions arising from early termination of services by employees are credited to a forfeiture reserve for the purposes of funding the differences in the Group's contributions as aforesaid and for covering any shortfall on the defined benefit plans. The total amount available for such purposes amounted to HK\$17,274,000 at 31st March 2006 (31st March 2005: HK\$16,616,000).

## PENSION SCHEME ARRANGEMENT (Continued)

The most recent independent actuarial valuation of the Scheme (the “Valuation”) was carried out as at 1st January 2004 by Watson Wyatt Hong Kong Limited, a professionally qualified independent actuary. According to the Valuation, the Scheme was solvent at the date of the Valuation.

With effect from 1st December 2000, all new joiners of the Group are eligible to join the MPF. The Group’s contributions to the MPF are at 5% of the employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month (the “MPF Contributions”). The MPF Contributions are fully and immediately vested in the employees as accrued benefit once they are paid.

## MAJOR CUSTOMERS AND SUPPLIERS

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

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s bye-laws and there is no restriction against such rights under the laws in Bermuda.

## PUBLIC FLOAT

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

## 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 Kiew Chiong**  
*Chairman*

Hong Kong, 30th June 2006