Annual Report

2007 年報

万华媒体
ONEMEDIAGROUP
One Media Group Limited
萬 華 媒 體 集 團 有 限 公 司

Stock Code 股份代號：426

Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. TIONG Kiu King *(Chairman)*
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK
Mr. TUNG Siu Ho, Terence
Mr. Robert William Hong-San YUNG

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. YU Hon To, David
Mr. SIT Kien Ping, Peter
Mr. TAN Hock Seng, Peter

AUDIT COMMITTEE

Mr. YU Hon To, David *(Chairman)*
Mr. SIT Kien Ping, Peter
Mr. TAN Hock Seng, Peter

REMUNERATION COMMITTEE

Mr. SIT Kien Ping, Peter *(Chairman)*
Mr. YU Hon To, David
Mr. TAN Hock Seng, Peter
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK

NOMINATION COMMITTEE

Mr. TAN Hock Seng, Peter *(Chairman)*
Mr. YU Hon To, David
Mr. SIT Kien Ping, Peter
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK

COMPANY SECRETARY

Mr. LAM Pak Cheong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

PricewaterhouseCoopers

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

16th Floor, Block A
Ming Pao Industrial Centre
18 Ka Yip Street, Chai Wan
Hong Kong

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Corporate Services (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

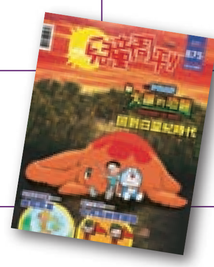
426

WEBSITE

www.omghk.com

万 华 媒 体
ONE MEDIA GROUP

- Fashion & Entertainment
- Information Technology
- Automotive
- Children



Mr. TIONG Kiu King
Chairman

On behalf of the directors (the "Directors") and shareholders of One Media Group Limited (the "Company") and its subsidiaries (the "Group"), I am pleased to announce the annual results of the Company for the year ended 31st March 2007. While it was a challenging year for the Group, the strong efforts and abilities of the management and staff helped to achieve an increase in top-line revenue of 17% compared to last year. We are particularly pleased that the People's Republic of China ("PRC") contribution to the overall revenue increased by 148% over the previous year.

Amidst this robust growth, the Group also faced challenges in a competitive operating environment, and we have recently made the difficult business decision to discontinue the operation of "*T3 科技新時代*" and "*Rolling Stone 音樂時空*" (formerly known as "*Rolling Stone 音像世界*"). Although the titles attracted strong interest as niche publications and enjoyed a loyal readership, their financial performance in this developing market did not meet the expectations of the Group. This was a difficult decision but it was the right course of action for our future development. The move will allow for the reallocation of resources in a more effective and efficient way in order to create greater value for our shareholders.

Meanwhile, the Group's other titles have increased their already high level of popularity among their readership and advertisers. Last year, the Group garnered the most awards of any Asian publication nominated at the Awards for Editorial Excellence given by The Society of Publishers in Asia (SOPA). The continued stream of industry accolades reflects the outstanding editorial quality of the Group's magazines. Simultaneously, the Group's flagship *Ming Pao Weekly* achieved one of its all time highs in both advertising revenue and page count in its thirty-nine year history.

The Group is determined to expand through the acquisition of media businesses and will continue to actively pursue potential targets. We believe it is essential that those acquisition prospects compliment our current business, create material operating synergies, and make a positive financial contribution to the Group. Therefore, we have set up a professional team to continue to seek out opportunities that will benefit the Group and our shareholders. In addition to acquisitions, the Group will also consider licensing our existing titles to other Chinese-speaking markets to further enhance our revenue stream and profit contribution.

We are looking forward to a year with a material improvement. According to Nielsen Media Research, advertising spending in China increased by 22% in 2006 over the previous year and this trend is widely expected to continue. As such, we are confident and fully intend to benefit from the positive market conditions. Our magazines continue to offer attractive advertising environments for global consumer brands, which have been fueling much of the advertising spending growth in China.

Our business now has a solid platform, a strong team, and premium magazine brands. Our growth in China and overall shows that we are headed in the right direction, and I would like to take this opportunity to thank our management and staff for their efforts. Thanks as well to our advertising partners, our readers, and our shareholders. We are looking forward to strong results ahead.

TIONG Kiu King
Chairman

Hong Kong, 13th July 2007

RESULTS SUMMARY

For the year ended 31st March 2007, the Group reported a consolidated revenue of HK$219,429,000 (2006: HK$187,975,000), representing an increase of 17% compared to last year. The result was mainly attributable to an increase in advertising revenue from *Ming Pao Weekly* and "*MING 明日風尚*" (formerly known as "*MING 青春之星*"). The profit before income tax amounted to HK$5,458,000 (2006: HK$5,109,000), representing an increase of 7% compared to last year, and the profit after income tax amounted to HK$3,077,000 (2006: HK$7,027,000). The decrease in the profit after income tax was mainly due to a one-time deferred tax credit of HK$3,980,000 recognised last year.

REVIEW OF OPERATIONS

Hong Kong

The Group currently publishes three titles in Hong Kong, namely *Ming Pao Weekly*, *Hi-Tech Weekly* and *City Children's Weekly*. These titles contributed a combined revenue of HK$179,586,000 (2006: HK$171,882,000), representing an increase of 4% compared to last year, while the operating profit increased to HK$27,985,000 (2006: HK$26,945,000) as a result of the growth in the combined revenue of the magazines in Hong Kong.

Ming Pao Weekly, the Group's premier entertainment/celebrity/fashion title, achieved one of the highest advertising revenues on record in its thirty-nine year history. With the distribution of both the compact and the classic editions of the magazine stable a year after the introduction of the former, it is poised to enjoy unprecedented successes. For the fifth consecutive year, *Ming Pao Weekly* garnered a number of awards given by The Society of Publishers in Asia (SOPA) in recognition of its outstanding editorial quality in the industry.

The Group has successfully introduced new innovative channels to attract additional readers in Hong Kong. For instance, in November 2006, the Group launched the eMag version of *Hi-Tech Weekly*, allowing the magazine's cyber-savvy readership to subscribe to a purely digital version of the title over the Internet. The Group will continue to pursue similar endeavors as they prove to be popular among consumers, broaden our advertiser's reach, and contribute to the financial performance of the Group.

Mainland China

During the year, the Group had the right to sell advertising space in and provide content to magazines in Mainland China, including: "*Popular Science 科技新時代*" ("PopSci"), "T3 *科技新時代*" ("T3"), "*Top Gear 汽車測試報告*" ("TopGear"), "*MING 明日風尚*" ("MING") and "*Rolling Stone 音樂時空*" (formerly known as "*Rolling Stone 音像世界*") ("RS"). These titles contributed a revenue of HK$39,843,000 (2006: HK$16,093,000) to the Group, representing a 148% increase compared to last year while the operating loss slightly decreased to HK$14,875,000 (2006: HK$14,959,000). The loss was mainly attributable to initial start-up costs relating to MING and RS and increasing competitive pressure in the technology publishing sector.

While TopGear and MING enjoyed good years in terms of both advertising revenue and distribution, T3 and RS did not achieve the same levels of success. The Group has made the difficult business decision to discontinue the operation of both T3 and RS. Despite strong readership loyalty, they did not meet the financial expectations of the Group. It is expected that this move will add to overall profitability while freeing up resources to focus on further developing current titles, namely PopSci, TopGear and MING, and seeking new additions to the Group's portfolio.

OUTLOOK

Driven by a robust economy and a solid operating platform, the outlook for the Group is positive and firmly concentrated on growth. Acquisitions remain a central focus for the Group in terms of further expansion in China. The Group will continue to pursue opportunities through acquisition at a fair market value and consider those targets that are China based, media related, earnings positive, synergistic and a compliment to the current business. In addition to actively seeking acquisitions, the Group will also consider licensing its existing titles to other Chinese-speaking markets to further enhance its revenue stream and profit contribution.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's revenues and costs are mainly denominated in HK dollars, US dollars and Renminbi. Since HK dollars remain pegged to the US dollars and Renminbi has been pegged to a basket of currencies, the Group does not foresee substantial risks from exposure to US dollars and Renminbi in this regard.

CONTINGENT LIABILITIES

As at 31st March 2007, the Group did not have any material contingent liabilities or guarantees (2006: Nil).

CLOSURE OF THE REGISTER OF THE MEMBERS

The register of members will be closed from Monday, 3rd September 2007 to Friday, 7th September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend of HK0.375 cent per ordinary share, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 31st August 2007.

EMPLOYEES

As at 31st March 2007, the Group has approximately 277 employees (2006: 270 employees) of which 157 and 120 were stationed in Hong Kong and in Mainland China, respectively. The Group remunerates its employees based on the operating results, individual performance and comparable market statistics. The emoluments of the Directors and senior management are reviewed by the Remuneration Committee regularly. The Company has implemented share option schemes as an incentive to the directors and eligible employees.

In Hong Kong, the Group participates in the hybrid retirement benefit scheme operated by the Company's fellow subsidiary and the Mandatory Provident Fund scheme for its employees. In Mainland China, the Group provides to its employees social security plans in relation to retirement, medical care and unemployment and has made the required contribution to the local social insurance authorities in accordance with relevant laws and regulations in Mainland China.

EVENTS OF THE YEAR

Ming Pao Weekly Showbiz Awards – 17th November 2006

Ming Pao Weekly Mother's Day Party – 12th May 2007

City Children's Weekly Kids' Talent Show 2006 – 1st August 2006

"MING 明日風尚" 1st Anniversary Party – Ming Ming Gala Premiere – 25th April 2007

MING Night Of Stars (Beijing) – 15th June 2006

2007 SOPA Awards Presentation – 23rd May 2007

Hi-Tech Weekly The Best of The Best Awards Presentation Ceremony – 30th March 2007

MING Night Of Stars (Shanghai) – 20th June 2006

The Directors submit their report together with the audited consolidated financial statements for the year ended 31st March 2007.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

RESULTS AND APPROPRIATIONS

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

The Directors recommend the payment of a final dividend of HK0.375 cent (2006: HK0.375 cent) per ordinary share, totalling HK$1,500,000 (2006: HK$1,500,000).

RESERVES

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

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 100 million shares of HK$0.001 each at HK$1.2 per share by way of placing and public offer on 18th October 2005 (the "Listing Date") (as set out in detail in the prospectus dated 30th September 2005 issued by the Company (the "Prospectus")). The net proceeds, after deduction of related issuance expenses, amounted to approximately HK$102,968,000 ("Net Proceeds"). The Net Proceeds were partially applied during the year ended 31st March 2007 in accordance with the proposed applications set out in the Prospectus as follows:

	Proposed application of Net Proceeds	**Actual amount used up to 31st March 2007**
	HK$'000	HK$'000
Acquisition of magazine business in PRC	50,000	–
Sales and marketing activities for new magazines	24,000	6,818
Circulation-related activities of new magazines	12,000	8,097
Repayment of short-term loan	10,000	10,000
General working capital	6,968	5,000
	102,968	29,915

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March 2007, including the share premium, available for distribution, calculated in accordance with the provisions of Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$458,013,000 (2006: HK$457,170,000).

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

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. For the dividend purpose, the amount which the Company's subsidiaries in the PRC can legally distribute by way of a dividend is determined by reference to their profits as reflected in the PRC statutory financial statements which are prepared in accordance with accounting principles generally accepted in the PRC. These profits differ from those that are reflected in the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards and disclosure requirements of the Hong Kong Companies Ordinance.

PRE-EMPTIVE RIGHTS

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

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 96.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

The pre-IPO share option scheme ("Pre-IPO Scheme") and the post-IPO share option scheme ("Post-IPO Scheme") ("Schemes") were conditionally approved and adopted by ordinary resolutions of the shareholders of the Company and 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 of Hong Kong Limited (the "Stock Exchange").

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

The maximum number of shares in respect of which options may be granted under the Schemes when aggregated with the maximum number of shares in respect of any options to be granted under any other share option scheme established by the Company (if any) is that number which is equal to 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange. As at 31st March 2007, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised under the Pre-IPO Scheme was 14,082,000 shares, which represented 3.52% of the issued share capital of the Company as at that date. As at 31st March 2007, no option has been granted or agreed to be granted by the Company under the Post-IPO Scheme. No Employee shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such employee in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time.

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

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

SHARE OPTIONS *(Continued)*

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

In relation to the options granted to the grantees, either of the following two vesting scales has been applied: (i) 20% of the shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or (ii) 100% of the shares comprised in the option will fully vest on the first anniversary of the Listing Date, as the case may be, which has been specified in the offer letters to the grantees.

Details of the share options outstanding and movements during the year ended 31st March 2007 are as follows:

		Number of shares involved in share options (in thousands)								
Grantees		**Balance at 1st April 2006**	**Granted during the year**	**Exercised during the year** (Note 3)	**Lapsed during the year** (Note 3)	**Balance at 31st March 2007**	**Percentage of issued ordinary shares at 31st March 2007**	**Exercise price per share** HK$	**Date of conditional grant**	**Exercisable period**
Directors of the Company:										
Mr. TIONG Kiu King	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TIONG Kiew Chiong	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Peter Bush BRACK	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TUNG Siu Ho, Terence	(Note 1)	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Robert William Hong-San YUNG	(Note 1)	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. YU Hon To, David	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. SIT Kien Ping, Peter	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TAN Hock Seng, Peter	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
		6,200	–	–	–	6,200	1.55%			

SHARE OPTIONS *(Continued)*

Grantees		Balance at 1st April 2006	Granted during the year	Exercised during the year (Note 3)	Lapsed during the year (Note 3)	Balance at 31st March 2007	Percentage of issued ordinary shares at 31st March 2007	Exercise price per share HK$	Date of conditional grant	Exercisable period
		Number of shares involved in share options (in thousands)								
MPE's directors:										
Tan Sri Datuk TIONG Hiew King	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Dr. TIONG Ik King	(Note 1)	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TANG Ying Yu	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Victor YANG	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
		2,550	–	–	–	2,550	0.64%			
Full time employees	(Note 1)	4,550	–	–	(250)	4,300	1.07%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Full time employees	(Note 2)	1,172	–	–	(140)	1,032	0.26%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Total		14,472	–	–	(390)	14,082	3.52%			

Notes:

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

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

(2) 100% of the Company's share comprised in each of the option will fully vest on the first anniversary of the Listing Date,

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

(3) During the year, 390,000 share options have been lapsed by reason of the grantees ceased to be full time employees of the Company and its subsidiaries. No share option was exercised or cancelled during the year.

The fair value of the options granted is set out in note 13 to the consolidated financial statements.

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

DIRECTORS

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

Mr. TIONG Kiu King *(Chairman)*
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK *(Chief Executive Officer)*
Mr. TUNG Siu Ho, Terence
Mr. Robert William Hong-San YUNG
Mr. YU Hon To, David*
Mr. SIT Kien Ping, Peter*
Mr. TAN Hock Seng, Peter*

* *Independent non-executive Directors*

In accordance with Article 108(a) of the Articles, Mr. TIONG Kiew Chiong, Mr. TUNG Siu Ho, Terence and Mr. SIT Kien Ping, Peter retires by rotation at the annual general meeting and, being eligible, offers himself for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

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

The initial term of appointment of the independent non-executive Directors of the Company is one year and six months commencing from 1st October 2005 to 31st March 2007. The term is renewed for three years from 1st April 2007 to 31st March 2010.

DIRECTORS' INTERESTS IN CONTRACTS

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

Front (from left) Mr. Peter Bush BRACK; Mr. TIONG Kiu King; Mr. TIONG Kiew Chiong; Mr. Robert William Hong-San YUNG

Back (from left) Mr. TUNG Siu Ho, Terence; Mr. YU Hon To, David; Mr. TAN Hock Seng, Peter; Mr. SIT Kien Ping, Peter

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

TIONG Kiu King, aged 72, is the Chairman of the Company. He has been an executive director of MPE since October 1995 and was appointed as an executive Director in April 2005. Mr. TIONG has extensive experience in the media business. He graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong. He is a brother of Tan Sri Datuk TIONG Hiew King, the Chairman of MPE, and Dr. TIONG Ik King, the executive director of MPE.

TIONG Kiew Chiong, aged 47, is the Deputy Chairman of the Company. He was appointed as an executive Director in March 2005 and has been an executive director of MPE since May 1998. Mr. TIONG has extensive experience in the media business. He is one of the founders of The National, a newspaper in Papua New Guinea launched in 1993 and was formerly a director of Sin Chew Media Corporation Berhad in Malaysia. Mr. TIONG obtained a Bachelor of Business Administration from York University in Canada.

Peter Bush BRACK, aged 36, is the Chief Executive Officer of the Group. Mr. BRACK joined the Group in May 2004 and was appointed as an executive Director in April 2005. Mr. BRACK is in charge of the overall management of the Group. Mr. BRACK is also the Chairman and a director of Redgate Media Inc.. Prior to joining the Group, he had been a senior executive at Time Warner for more than 10 years. He was the Vice President of Advertising Sales at Turner Broadcasting Asia Pacific (CNN, Cartoon Network), Senior Vice President of the Asian editions of Time and Fortune, and the Vice President of Time Inc International. Mr. BRACK obtained a Bachelor of Arts in English Literature from Tulane University in the United States.

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

Executive Directors *(Continued)*

TUNG Siu Ho, Terence, aged 45, is the Chief Operating Officer of the Group. He is in charge of the business operation of the Group. Mr. TUNG joined the MPE Group in September 1998 as the Sales Director of Ming Pao Magazines Limited and was appointed as an executive Director in April 2005. He has extensive experience in the media business and was formerly a director and General Manager of Metropolitan Publications Limited. He is the Vice Chairman of The Society of Publishers in Asia. Mr. TUNG obtained a Bachelor of Arts from the University of Toronto in Canada.

Robert William Hong-San YUNG, aged 36, is the Chief Strategy Officer of the Group. Mr. YUNG joined the Group in May 2004 and was appointed as an executive Director in April 2005. Mr. YUNG is in charge of strategic planning of the Group. Mr. YUNG is also a director of Redgate Media Inc.. Prior to joining the Group, he was a founder and Chief Executive Officer of One Studio, a venture capital backed Chinese software development and consultancy company with operations in China and Japan. Mr. YUNG obtained a Master of Arts from New York University in the United States.

Independent non-executive Directors

YU Hon To, David, aged 59, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. YU is a fellow of the Institute of Chartered Accountants in England and Wales, and 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 director of Management Capital Limited, a company which specializes in direct investment and financial advisory activities. Mr. YU is currently an independent non-executive director of MPE and holds directorship of several other companies listed on the Stock Exchange.

SIT Kien Ping, Peter, aged 54, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He is a solicitor of Hong Kong, a notary public, a China-appointed attesting officer, and an adjudicator of the Immigration Tribunal. Mr. SIT has over 28 years of experience in advising on commercial transactions and conveyancing projects, and currently is a senior and founding partner of Sit, Fung, Kwong & Shum, a law firm in Hong Kong.

TAN Hock Seng, Peter, aged 73, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. TAN is currently the director of International Credit Money Research Centre of Yenching Institute and a visiting professor of the College of Arts and Science of Beijing United University. He is an experienced investor and researcher in the area of currency economics and had organised various seminars about international currencies and economies in the PRC. Mr. TAN obtained a Bachelor in Geology from Peking Geology University in the PRC.

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

Senior management

LAM Pak Cheong, aged 39, is the Chief Financial Officer and the Company Secretary of the Company. He is in charge of the financial and investment operation of the Group. Mr. LAM has extensive experience in financial management, mergers and acquisitions, corporate finance, corporate development, fund raising and investor relations. He is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, respectively. Mr. LAM obtained a Master of Business Administration in Financial Services jointly from the University of Manchester and the University of Wales, Bangor in the United Kingdom and a Master of Corporate Governance from the Hong Kong Polytechnic University in Hong Kong.

LAU Yat Fan, aged 42, is the Chief Executive Officer (China Operation). He is in charge of the general management of the Group's operation in the PRC. Mr. LAU has extensive experience in various businesses in China, including media, advertising, property and trading. He is very familiar with the China market and is an experienced entrepreneur in China.

LUNG King Cheong, aged 53, is the Editorial Director of the Group. He is in charge of the overall editorial works and the general management of the editorial team of all publications of the Group. Mr. LUNG has extensive publishing and editorial experience in Hong Kong. Prior to joining the Group, he was the Chief Editor and Publisher of *Hong Kong Today*. Mr. LUNG is very familiar with the media industry and is one of the most experienced chief editors of lifestyle magazines in Hong Kong.

YEUNG Ying Fat, aged 39, is the Financial Controller and the Qualified Accountant of the Company. He is in charge of the financial and management accounting of the Group. Mr. YEUNG has extensive experience in financial accounting and management accounting. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to this, he had worked in several international accounting firms for more than 4 years. Mr. YEUNG obtained a Bachelor of Management in Accounting from the University of Lethbridge in Canada.

WONG Ching Hang, Cynthia, aged 40, is the Business Director of the Group. She is in charge of the overall advertising sales and the business development of all publications of the Group. Ms. WONG has extensive advertising sales experience in the media industry. She obtained a Higher Certificate in Marketing and Sales Management from the Hong Kong Polytechnic University in Hong Kong.

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

As at 31st March 2007, the interests or short positions of the Directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO, or as otherwise notified or as required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") are as follows:

(a) Interests in the Company's shares

	Number of shares/underlying shares held						
Name of Director	Personal interest	Family interest	Corporate interest	Total interests in shares	Interests in underlying shares pursuant to share options (Note)	Aggregate interests	Percentage of interest as at 31st March 2007
Mr. TIONG Kiu King	–	–	–	–	1,250,000	1,250,000	0.31%
Mr. TIONG Kiew Chiong	3,300,000	–	–	3,300,000	1,250,000	4,550,000	1.14%
Mr. Peter Bush BRACK	110,000	–	–	110,000	1,250,000	1,360,000	0.34%
Mr. TUNG Siu Ho, Terence	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. Robert William Hong-San YUNG	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. YU Hon To, David	–	–	–	–	150,000	150,000	0.04%
Mr. SIT Kien Ping, Peter	–	–	–	–	150,000	150,000	0.04%
Mr. TAN Hock Seng, Peter	310,000	–	–	310,000	150,000	460,000	0.12%

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

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

(b) Interests in shares in MPE

Name of Director	Personal interest	Family interest	Corporate interest	Deemed interest in MPE shares pursuant to share options (Note)	Total number of MPE shares in which the Director has or is deemed to have interests	Approximate percentage of interest in MPE as at 31st March 2007
	Number of shares/underlying shares held					
Mr. TIONG Kiu King	611,000	147,000	–	600,000	1,358,000	0.34%
Mr. TIONG Kiew Chiong	1,200,000	–	–	600,000	1,800,000	0.45%

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

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

Save as disclosed above and those disclosed under the paragraph headed "Share Options", as at 31st March 2007, none of the Directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31st March 2007, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of issued ordinary shares as at 31st March 2007
Winmax *(Note)*	295,600,000	Beneficial owner	73.9%
JP Morgan Chase & Co	22,828,000	Institutional investor	5.71%

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

Note: Winmax Resources Limited ("Winmax") is beneficially owned as to 85.027% by Starsome Limited ("Starsome") and 14.973% by RGM Ventures Limited. Starsome is an indirect wholly-owned subsidiary of MPE. RGM Ventures Limited is an indirect wholly-owned subsidiary of Redgate Media Inc. ("Redgate Media"). Redgate Media is beneficially owned as to 15.59% by Mr. Peter Bush BRACK and 1.69% by his associates, 9.95% by Mr. Robert William Hong-San YUNG, 9.95% by Ms. ZHU Ying, 4.22% by Mr. LAU Yat Fan and 58.6% by other independent third parties not connected with the Company.

Save as disclosed above and those disclosed under "Directors' interests and short positions in the share capital and debentures of the Company and its associated corporations", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company as at 31st March 2007.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

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

Purchases	
– the largest supplier	16%
– five largest suppliers combined	46%

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

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2007, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 29 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

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

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

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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

Nature of transactions	**2007** HK$'000	**Annual Caps** HK$'000
Licensing fees *(Note 1)*	14,317	18,100
Circulation support services charge *(Note 2)*	1,777	4,200
Charges for the leasing of:		
(i) computers and other office equipment *(Note 3)*		
(ii) office space, storage space and parking spaces *(Note 4)*	2,066 (total of items (i) & (ii))	2,500 (total of items (i) & (ii))

Notes:

(1) The licensing fee was determined with reference to the range of licensing fees charged by independent market practitioners in the magazine licensing industry in Hong Kong and Mainland China markets.

(2) The circulation support services charge was relating to the distribution, sale and promotion of the publications of the Group and was determined on cost reimbursement basis.

(3) Charges for the leasing of computers and other office equipment were determined on cost reimbursement basis and were based on the depreciation charges of the equipment provided.

(4) Charges for the leasing of office space, storage space and parking spaces were determined on cost reimbursement basis and were based on prevailing market rates of comparable premises.

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

(a) on normal commercial terms or on terms that are fair and reasonable so far as the equity holders of the Company are concerned;

(b) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to or from independent third parties; and

(c) within the relevant cap amounts as agreed by the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

In accordance with paragraph 14A.38 of the Listing Rules, the Board engaged the auditors of the Company to perform certain factual finding procedures on the above Continuing Connected Transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings for the selected samples based on the agreed procedures to the Board.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

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

The controlling shareholder of the Company is Winmax which owns as to 73.9% of the shareholding of the Company and is beneficially held as to 85.027% by an indirect wholly-owned subsidiary of MPE, Starsome and 14.973% by Redgate Media through an indirect wholly-owned subsidiary, RGM Ventures Limited.

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

The controlling shareholder of MPE is Conch Company Limited ("Conch") which is ultimately beneficially owned by Tan Sri Datuk TIONG Hiew King and Dr. TIONG Ik King, both being executive directors of MPE, and their associates. Both of them hold directorships and/or ownership in Sin Chew Media Corporation Berhad ("Sin Chew"), Nanyang Press Holdings Berhad ("Nanyang Press"), both companies listed on the Bursa Malaysia Securities Berhad, and Pacific Star Limited ("Pacific Star"). Sin Chew and Nanyang Press are engaged in the publication of Chinese language newspapers and magazines in Malaysia, while Pacific Star engages in the business of newspapers and magazines publishing in Papua New Guinea. The Directors consider that the Group operates independently from Sin Chew, Nanyang Press and Pacific Star and there is no competition between the business of Sin Chew, Nanyang Press and Pacific Star and the business of the Group.

COMPETING BUSINESS *(Continued)*

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

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

AUDITOR

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

On behalf of the Board

TIONG Kiu King
Chairman

Hong Kong, 13th July 2007

Good corporate governance practices are crucial to the smooth and effective operation of a company and its ability to attract investment and protect shareholders' interest. The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules as its own code on corporate governance practices. The Company has complied throughout the year with the code provisions as set out in the Code.

CONDUCT ON SHARE DEALINGS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

The Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard as set out in the Model Code during the year ended 31st March 2007.

THE BOARD OF DIRECTORS

Composition and Function

The Board comprises eight Directors, of which five are executive Directors and the remaining three are independent non-executive Directors.

As at 31st March 2007, the Directors were:

Name of Director	**Title**
Executive Directors	
Mr. TIONG Kiu King	Executive Director and Chairman
Mr. TIONG Kiew Chiong	Executive Director and Deputy Chairman
Mr. Peter Bush BRACK	Executive Director and Chief Executive Officer
Mr. TUNG Siu Ho, Terence	Executive Director and Chief Operating Officer
Mr. Robert William Hong-San YUNG	Executive Director and Chief Strategy Officer
Independent Non-Executive Directors	
Mr. YU Hon To, David	Independent non-executive Director
Mr. SIT Kien Ping, Peter	Independent non-executive Director
Mr. TAN Hock Seng, Peter	Independent non-executive Director

The biographies of each of the Directors are set out on pages 16 to 17.

Pursuant to the written guidelines adopted by the Company, specific matters are reserved to the Board for its decision and certain matters are delegated to the senior management.

The Board is responsible for, inter alia:

(a) reviewing and approving the strategic direction of the Group established by executive Directors in conjunction with the management;

(b) reviewing and approving objectives, strategies and business development plans set by executive committee of the Company ("Executive Committee");

(c) monitoring the performance of the Chief Executive Officer and the senior management;

(d) enhancing the standard of corporate governance;

(e) approving the nominations of directors; and

(f) reviewing the effectiveness of the internal control system of the Group.

The senior management and the Executive Committee, under the leadership of the Chief Executive Officer, are responsible for:

(a) formulating strategies and business development plans, submitting the same to the Board for approval and implementing such strategies and business development plans thereafter;

(b) submitting report on the Group's operations to the Board on a regular basis;

(c) reviewing annual budgets and submitting the same to the Board for approval;

(d) reviewing salary increment proposal and remuneration policy and submitting the same to the Board for approval; and

(e) assisting the Board in conducting the review of the effectiveness of the internal control of the Group.

The Board has also formulated written guidelines determining which matters require a decision of the full board and which of the executive board.

Independence of Independent Non-Executive Directors

Pursuant to the requirements of the Listing Rules, the Company has received annual written confirmation from each independent non-executive Director of his independence to the Group. The Group has reviewed and considered all independent non-executive Directors to be independent.

Proceedings and Retirement of Directors

In accordance with the Articles, subject to the manner of retirement by rotation of directors from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any director may be appointed or engaged, at each annual general meeting, one-third of the directors for the time being, or, if their number is not three or a multiple of three, then the numbers nearest to but not less than one-third, shall retire from office by rotation provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

The initial term of appointment of the independent non-executive Directors is one year and six months commencing from 1st October 2005 to 31st March 2007. The term is renewed for three years from 1st April 2007 to 31st March 2010, and is subject to retirement and re-election by rotation at the annual general meeting under the Article.

All Directors have access to board papers and related materials, and are provided with adequate information on a timely manner. The Director may, if necessary, seek legal or other independent professional advice at the expense of the Company pursuant to a written guideline adopted by the Board. In respect of regular board meetings or committee meetings, the agenda is sent out to the Directors at least fourteen days before the meeting and the accompanying papers are sent at least three days before the intended date of meeting for information.

Directors' Responsibilities

In relation to the financial reporting, all Directors acknowledge their responsibilities for preparing the financial statements of the Group. Directors are indemnified against all costs and liabilities that may be incurred by them in the execution of their duties. A Directors' and Officers' Liability Insurance policy has been arranged for providing the indemnity.

GOVERNANCE STRUCTURE

As an integral part of good corporate governance, the Board has established the following committees whose authority, functions, composition and duties of each of the committees are set out below:

1. Executive Committee

The Executive Committee is the decision-making body for day-to-day operation of the Group which comprises Mr. TIONG Kiew Chiong, Mr. ONG See Boon (Special Assistant to the Chairman), Mr. Peter Bush BRACK, Mr. TUNG Siu Ho, Terence, Mr. Robert William Hong-San YUNG, Mr. LAM Pak Cheong (Chief Financial Officer and Company Secretary) and Mr. LUNG King Cheong (Editorial Director of the Group).

Its main duties include performing duties delegated by the Board and exercising the authorities and rights authorised by the same pursuant to the written guidelines.

2. Remuneration Committee

The Remuneration Committee has five members, namely, Mr. SIT Kien Ping, Peter, Mr. YU Hon To, David, Mr. TAN Hock Seng, Peter, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK. Except Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK, the rest are all independent non-executive Directors. Mr. SIT Kien Ping, Peter is the Chairman of the Remuneration Committee.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules. The functions of the Remuneration Committee include, among other things:

(a) making recommendations to the Board of the Company's policy and structure for remuneration of the Directors and senior management;

(b) establishing a formal and transparent procedure for developing policy on remuneration; and

(c) determining specific remuneration packages for the Directors and senior management.

The remuneration of all Directors and their respective interest in share options are set out in note 21 to the consolidated financial statements and under the "Share Options" paragraph in the Report of the Directors of this report.

During the year, the Remuneration Committee has reviewed the remuneration policy and structure of the executive Directors and senior management of the Company, and offered advice on the same to the Board.

3. Nomination Committee

The Nomination Committee has five members, namely, Mr. TAN Hock Seng, Peter, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK. Except Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK, the rest are all independent non-executive Directors. Mr. TAN Hock Seng, Peter is the Chairman of the Nomination Committee.

Written terms of reference have been adopted by the Board in accordance with the recommendations in the Listing Rules. The functions of the Nomination Committee include, among other things, making recommendations to the Board on the Group's nomination policy and procedures and recommending candidates for directorship.

During the year ended 31st March 2007, no Nomination Committee meeting was held and no new director was nominated.

4. Audit Committee

The Audit Committee comprises all three independent non-executive Directors, namely Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter. Mr. YU Hon To, David is the Chairman of the Audit Committee.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules. The roles and functions of the Audit Committee include, among other things:

(a) overseeing the relationship with the Company's external auditor;

(b) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor;

(c) reviewing the financial information of the Group including monitoring the integrity of the Group's financial statements, annual report and accounts, half-year report and reviewing significant financial reporting judgements contained therein; and

(d) overseeing the Group's financial reporting system and internal control procedures.

During the year, the Audit Committee has regularly met with the management and the external auditor and reviewed and made recommendation to the following matters:

(a) reviewed the audited financial statements for the year ended 31st March 2007 and the interim report for the six months ended 30th September 2006;

(b) reviewed and considered the report from the external auditor on the audit of the Group's financial statements;

(c) made recommendation to the Board for the appointment of the external auditor;

(d) reviewed the external auditor's audit plan; and

(e) made recommendation to the Board for the appointment of an external accounting firm to assist the Group in conducting the review and evaluation of the Group's internal control system.

5. Investment Committee

The Investment Committee has four members, namely, Mr. TIONG Kiew Chiong, Mr. TAN Hock Seng, Peter, Mr. ONG See Boon and Mr. LAM Pak Cheong. Mr. TIONG Kiew Chiong is the Chairman of the Investment Committee.

Written terms of reference have been adopted by the Board pursuant to the Articles. The functions of the Investment Committee include, among other things:

(a) advising the Board in determining investment policies, objectives and strategies;

(b) executing investment policies and strategies approved by the Board;

(c) operating the fund;

(d) selecting, appointing, monitoring and terminating investment managers; and

(e) reviewing the investment performance of each investment product.

During the year, the Investment Committee has reviewed the investment strategy and approved various equity investment of the Company.

Number of Meetings and the Attendance Rate

The following table shows the number of regular board meetings and committee meetings held during the year as well as the attendance rate of each Director.

Attendance rate

Name of Director	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Mr. TIONG Kiu King	5/5	N/A	N/A	N/A
Mr. TIONG Kiew Chiong	5/5	3/3	1/1	–
Mr. Peter Bush BRACK	5/5	2/3	0/1	–
Mr. TUNG Siu Ho, Terence	5/5	N/A	N/A	N/A
Mr. Robert William Hong-San YUNG	5/5	N/A	N/A	N/A
Mr. YU Hon To, David	5/5	3/3	1/1	–
Mr. SIT Kien Ping, Peter	4/5	3/3	1/1	–
Mr. TAN Hock Seng, Peter	5/5	3/3	1/1	–

THE DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

With a view to maintaining an effective segregation of duties, the position of the Chairman and the Chief Executive Officer are split and each plays a distinctive role. The Chairman is mainly responsible for the leadership and effective operation of the Board and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, and the Chief Executive Officer is delegated with the authority and is mainly responsible for the operation of the Group's business and the implementation of the approved strategies with a view to achieving the corporate objectives.

EXTERNAL AUDITOR

PricewaterhouseCoopers ("PwC") was appointed as the Group's external auditor for the year ended 31st March 2007. During the year, PwC provided the following audit services to the Group:

	HK$'000
Annual audit services	795

PwC will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in September 2007.

A statement by PwC about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" section on page 36.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained a sufficient public float of its share capital in Hong Kong stock market throughout the financial year ended 31st March 2007.

SHAREHOLDERS' RIGHTS

The objective of shareholders communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner. The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure for voting by poll has been included in the circulars of the Company accompanying notices convening general meeting and has been read out by the chairman at the general meeting held during the year ended 31st March 2007.

At the 2006 annual general meeting, a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors. The respective chairman of the Board, Audit Committee, Remuneration Committee and Nomination Committee attended the 2006 annual general meeting to answer questions raised by shareholders.

INTERNAL CONTROL

It is the responsibility of the Board to ensure the Group maintains sound and effective internal control system and review its effectiveness. The Board has regularly conducted review on the internal control system of the Company and will take any necessary and appropriate action to maintain an adequate internal control system.

The Group's internal control framework covers (i) the setting of a defined management structure with limits of authority and clear lines of accountability; and (ii) the establishment of regular reporting of financial information. The relevant executive directors and senior management have been delegated with respective level of authorities. Yearly budgets of the Group are reviewed and approved by the Board. The relevant executive directors and senior management have specific responsibility for monitoring the performance of business operating units. Monthly financial reports have been provided to the executive Directors and quarterly financial reviews have been provided to all Directors. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis.

During the financial year ended 31st March 2007, a review of the Group's internal control system and procedures including the financial, operational, compliance controls and risk management function was conducted by an independent international accounting firm. The review covered the following major areas:

(a) Company's risk assessment process in relation to (i) risk assessment report of the Company and (ii) business contingency plan or documentation;

(b) revenue in relation to (i) pricing of advertising sales, (ii) credit period and credit limit on circulation and advertising sales and (iii) sales documents;

(c) expenditure in relation to (i) new suppliers' evaluation, (ii) purchase documents and (iii) segregation of duties to process purchase order and goods receive;

(d) human resources and payroll in relation to (i) employees job specifications and (ii) declaration of interest by the employees; and

(e) review and identify procedures and systems of timely disclosure of price sensitive and other material information, notifiable transactions, connected transactions and other disclosure transactions pursuant to Chapters 13, 14 and 14A of the Listing Rules in relation to declaration for related party transactions disclosures.

An internal control review report presented by the independent international accounting firm has been discussed and approved at the Audit Committee meeting on 25th June 2007. The management and other relevant personnel have followed or are following up the recommendations stated in the report in order to enhance internal control policies, procedures and practices. The Directors consider that the internal control system of the Group is effective and will continue to review and update the system to ensure that shareholders' investments and the Group's assets are safeguarded.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

TO THE SHAREHOLDERS OF ONE MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of One Media Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 95, which comprise the consolidated and Company balance sheets as of 31st March 2007, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

AUDITOR'S RESPONSIBILITY *(Continued)*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31st March 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13th July 2007

CONSOLIDATED INCOME STATEMENT

Year ended 31st March

	Notes	2007 HK$'000	2006 HK$'000
Revenue	5	**219,429**	187,975
Cost of goods sold	20	**(125,096)**	(108,309)
Gross profit		**94,333**	79,666
Other income	5	**3,299**	1,645
Selling and distribution costs	20	**(56,755)**	(49,449)
Administrative expenses	20	**(35,419)**	(26,447)
Operating profit		**5,458**	5,415
Finance costs	22	**–**	(306)
Profit before income tax		**5,458**	5,109
Income tax (expense)/credit	23	**(2,381)**	1,918
Profit for the year		**3,077**	7,027
Attributable to:			
Equity holders of the Company		**3,077**	7,027
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– Basic	25	**0.77**	2.05
– Diluted	25	**0.77**	2.05
Dividends	26	**1,500**	1,500

The notes on pages 43 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**9,474**	4,461
Goodwill	7	**2,028**	2,028
Financial asset at fair value through profit or loss	11	**3,776**	–
Deferred income tax assets	18	**1,499**	3,739
		16,777	10,228
Current assets			
Inventories	9	**10,989**	11,077
Trade and other receivables	10	**58,176**	52,015
Income tax recoverable		**–**	2,006
Cash and cash equivalents	12	**91,357**	94,120
		160,522	159,218
Total assets		**177,299**	169,446
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**400**	400
Share premium	13	**456,073**	456,073
Other reserves	14(a)	**(329,794)**	(332,697)
Retained earnings	14(a)	**17,681**	16,104
Proposed final dividend	26	**1,500**	1,500
Total equity		**145,860**	141,380
LIABILITIES			
Non-current liability			
Long service payment liability	19	**78**	90
Current liabilities			
Trade and other payables	15	**28,126**	25,123
Amounts due to fellow subsidiaries	15	**3,142**	2,402
Income tax liabilities		**93**	83
Trust receipt loans, unsecured	16	**–**	338
Bank overdrafts	12	**–**	30
		31,361	27,976
Total liabilities		**31,439**	28,066
Total equity and liabilities		**177,299**	169,446
Net current assets		**129,161**	131,242
Total assets less current liabilities		**145,938**	141,470

On behalf of the Board

TIONG Kiu King
Chairman

Peter Bush BRACK
Director

The notes on pages 43 to 95 are an integral part of these consolidated financial statements.

BALANCE SHEET
As at 31st March

	Notes	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	8	**402,836**	382,908
Current assets			
Other receivables	10	**280**	79
Cash and cash equivalents	12	**55,349**	76,287
		55,629	76,366
Total assets		**458,465**	459,274
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**400**	400
Share premium	13	**456,073**	456,073
Retained earnings/(accumulated losses)		**440**	(403)
Proposed final dividend	26	**1,500**	1,500
Total equity		**458,413**	457,570
LIABILITIES			
Current liabilities			
Other payables	15	**52**	1,704
Total liabilities		**52**	1,704
Total equity and liabilities		**458,465**	459,274
Net current assets		**55,577**	74,662
Total assets less current liabilities		**458,413**	457,570

On behalf of the Board

TIONG Kiu King
Chairman

Peter Bush BRACK
Director

The notes on pages 43 to 95 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31st March

	Notes	2007 HK$'000	2006 HK$'000
Currency translation differences	14	**287**	(341)
Actuarial gains/(losses) of long service payment scheme	19	**29**	(103)
Net income/(loss) recognised directly in equity		**316**	(444)
Profit for the year		**3,077**	7,027
Total recognised income for the year		**3,393**	6,583
Attributable to:			
– Equity holders of the Company		**3,393**	6,583

The notes on pages 43 to 95 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31st March

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	27	**5,090**	2,378
Interest paid		**–**	(306)
Hong Kong profits tax refunded/(paid)		**1,874**	(6,469)
PRC enterprise income tax refunded/(paid)		**2**	(1)
Net cash generated from/(used in) operating activities		**6,966**	(4,398)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7,411)**	(3,237)
Interest received		**3,299**	1,645
Proceeds from disposal of property, plant and equipment		**3**	–
Purchase of financial asset at fair value through profit or loss		**(3,889)**	–
Net cash used in investing activities		**(7,998)**	(1,592)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(1,500)**	(22,000)
Drawdown of trust receipt loans		**–**	24,244
Repayment of trust receipt loans		**(338)**	(23,906)
Proceeds from shares issued for reorganisation		**–**	8,705
Proceeds from shares issued for initial public offering		**–**	120,155
Share issuance costs paid		**–**	(14,952)
Drawdown of short term loan		**–**	10,000
Repayment of short term loan		**–**	(10,000)
Net cash (used in)/generated from financing activities		**(1,838)**	92,246
Net (decrease)/increase in cash and cash equivalents		**(2,870)**	86,256
Cash and cash equivalents at beginning of the year		**94,090**	8,175
Exchange gain/(loss) on cash and cash equivalents		**137**	(341)
Cash and cash equivalents at end of the year	12	**91,357**	94,090

The notes on pages 43 to 95 are an integral part of these consolidated financial statements

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 consolidated financial statements.

The Company's consolidated financial statements up to 31st March 2006 had been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). Pursuant to the proposed merger between Ming Pao Enterprise Corporation Limited ("MPE") (the ultimate parent of the Company), Sin Chew Media Corporation Berhad and Nanyang Press Holdings Berhad, MPE decided to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for the financial year ended 31st March 2007. The Company prepared its consolidated financial statements in accordance with IFRS with effect from this financial year and convert the comparative financial information for the year ended 31st March 2006 to be in accordance with IFRS.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 13th July 2007.

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 2007 and 2006 were prepared as if the current group structure had been in existence throughout the periods. The consolidated balance sheet of the Group as at 31st March 2006 has been prepared to present the assets and liabilities of the Group as at 31st March 2006 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 of the Company have been prepared in accordance with IFRS. IFRS 1, First-time Adoption of IFRS, has been applied in preparing these consolidated financial statements. These consolidated financial statements are the Company's first financial statements to be prepared in accordance with IFRS.

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies for the year ended 31st March 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, 1st April 2005. This standard provides a number of optional exemptions to this general principle. The exemption adopted by the Group is set out below.

Business combination

Business combination that was recognised before the date of transition was not restated as the Group has elected not to apply IFRS 3 Business Combinations retrospectively to past business combinations that occurred prior to the date of transition to IFRSs.

When preparing the consolidated financial statements, management has adopted the appropriate accounting, valuation and consolidation methods to comply with IFRS. Accordingly, the consolidated financial statements prepared under HKFRS for the year ended 31st March 2006 have been adjusted to reflect those differences between HKFRS and IFRS. The conversion from HKFRS to IFRS did not result in material impact on the Group's cash flows for the year ended 31st March 2006 while its impact on the Group's equity and its net income and the Company's equity is disclosed in Note 30.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial asset at fair value through profit or loss.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Standards, amendments and interpretations that are relevant for the Group's operation but not yet effective for the year ended 31st March 2007

The following new standards, amendments and interpretations to existing standards have been published but not yet effective for the year ended 31st March 2007 and which the Group has not early adopted.

IFRS 7, Financial instruments: Disclosures (effective for annual periods beginning on or after 1st January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any material impact on the classification and valuation of the Group's financial instruments.

IFRS 8, Operating segments (effective for annual periods beginning on or after 1st January 2009). IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The Group is in the process of assessing the impact.

Amendment to IAS 1, Presentation of financial statements – Capital disclosures (effective for annual periods beginning on or after 1st January 2007). The amendment introduces new disclosures for managing capital. This amendment does not have any material impact on the classification of the Group's consolidated financial statements.

IFRIC-Int 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1st May 2006). IFRIC-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. IFRIC–Int 8 does not have any impact on the Group's consolidated financial statements.

IFRIC–Int 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1st June 2006). IFRIC-Int 9 requires an entity to assess whether an embedded derivatives is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group's entities have not changed the terms of their contracts, IFRIC-Int 9 does not have any material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Standards, amendments and interpretations that are relevant for the Group's operation but not yet effective for the year ended 31st March 2007 (Continued)

IFRIC-Int 10, Interim financial reporting and impairment (effective for annual periods beginning on or after 1st November 2006). IFRIC-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC-Int 10 from 1st April 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

IFRIC-Int 11, IFRS 2 – Group and treasury share transactions (effective for annual periods beginning on or after 1st March 2007). IFRIC-Int 11 requires a share–based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. IFRIC-Int 11 also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash–settled or equity-settled in the entity's financial statements. IFRIC–Int 11 is not expected to have a material impact on the Group's consolidated financial statements.

2.2 Consolidation

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Consolidation *(Continued)*

Except the Reorganisation, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at 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 (Note 2.6). 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.

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 (Note 2.7). 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 Hong Kong dollars ("HK dollars"), which is the Company's functional and presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(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.

(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 partially disposed of or 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.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture, fixtures, office equipment, computer equipment and motor vehicles, are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	10% – 25%
Furniture, fixtures and office equipment	20% – 30%
Computer equipment	30%
Motor vehicles	25%

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. The carrying amount of the replaced parts is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

The assets' residual values and 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).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are 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 of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivable. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as non-current assets.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.10).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

(b) Loans and receivables (Continued)

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payment is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.10.

2.9 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)*

2.10 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the income statement.

2.11 Cash and cash equivalents

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

2.12 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.

2.13 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. 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)*

2.15 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.

2.16 Employee benefits

(a) *Pension obligations*

The Group's fellow subsidiary, Ming Pao Holdings Limited, operates a hybrid retirement benefit scheme ("the Scheme") in which the Group is sharing the risks associated with the Scheme with the MPE Group, and a Mandatory Provident Fund Scheme ("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. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current year and prior periods. The assets of these retirement plans are held separately from those of the Group in independently administered funds. Defined contribution plans are generally funded by payments from the Group and/or employees.

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 schemes prior to vesting fully in the Group's contributions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits *(Continued)*

(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. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in the consolidated statement of recognised income and expense.

(c) *Share-based compensation*

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 vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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)*

2.16 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.

2.17 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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.18 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Revenue recognition *(Continued)*

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 flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.19 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.

Unallocated expenses represent corporate expenses. Segment assets consist primarily of property, plant and equipment, goodwill, inventories, financial asset at fair value through profit and loss, trade and other receivables and operating cash, and exclude income tax recoverable, income tax assets and corporate assets. Segment liabilities comprise operating liabilities and exclude items such as income tax liabilities, deferred income tax liabilities and certain corporate borrowings. Capital expenditure comprises additions of property, plant and equipment.

In respect of geographical segment reporting, revenues and results are based on the location in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

2.20 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.

2.21 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Provision for sales return

Revenue is stated net of estimated sales return provision. Sales return provision is recognised 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 and when a reliable estimate of the amount can be made.

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 and fair value 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 the People's Republic of China ("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 revenues 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. Management is of the view that transactions denominated in US dollars are insignificant to the Group and exposure to such currency risk is minimal.

(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.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Fair value estimation

The fair value of financial assets at fair value through profit or loss that are not traded in an active market is determined by independent valuation techniques. The Group adopted the quotation provided by the issuers as its best estimate of the fair value.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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) 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 13.

(b) 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.

(c) Provision for sales returns

As at 31st March 2007, the provision for sales returns of the Group amounted to HK$1,777,000 (2006: HK$927,000). This provision is recognised by the Group based on the best estimate and the actual return will impact the consolidated income statement in the period in which the actual return is determined.

If the estimated sales return rate applied had been 1% higher than management's estimates, the Group would have recognised a further provision of sales return by HK$45,288 and would need to reduce the revenue of the same amount accordingly.

5 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the publication, marketing and distribution of Chinese language lifestyle magazines.

Turnover, which represents advertising income and revenue from circulation and subscription sale of periodicals, recognised during the year is as follows:

	2007 HK$'000	2006 HK$'000
Turnover	**219,429**	187,975
Other income		
Bank interest income	**3,299**	1,645
Total revenue and other income	**222,728**	189,620

Primary reporting format – geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group operates mainly in two geographical areas, Hong Kong and Mainland China. The segment results for the year ended 31st March 2007 are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Revenue	**179,586**	**39,843**	**219,429**
Segment results	**27,985**	**(14,875)**	**13,110**
Other income			**3,299**
Unallocated expenses			**(10,951)**
Profit before income tax			**5,458**
Income tax expense *(Note 23)*			**(2,381)**
Profit for the year			**3,077**

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

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

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Revenue	171,882	16,093	187,975
Segment results	26,945	(14,959)	11,986
Other income			1,645
Unallocated expenses			(8,216)
Finance costs *(Note 22)*			(306)
Profit before income tax			5,109
Income tax credit *(Note 23)*			1,918
Profit for the year			7,027

Other segment items included in the consolidated income statements are as follows:

	Year ended 31st March 2007			Year ended 31st March 2006		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Group HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Depreciation *(Note 6)*	**1,779**	**735**	**2,514**	909	459	1,368
Impairment of trade receivables	**423**	**266**	**689**	417	187	604

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities at 31st March 2007 and capital expenditures 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	**192,449**	**33,498**	**(50,147)**	**1,499**	**177,299**
Liabilities	**(22,934)**	**(58,559)**	**50,147**	**(93)**	**(31,439)**
Capital expenditure *(Note 6)*	**6,020**	**1,391**	**–**	**–**	**7,411**

The segment assets and liabilities at 31st March 2006 and capital expenditures 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	169,506	19,685	(25,490)	5,745	169,446
Liabilities	(23,350)	(30,123)	25,490	(83)	(28,066)
Capital expenditure *(Note 6)*	848	2,389	–	–	3,237

Segment assets consist primarily of property, plant and equipment, goodwill, inventories, financial asset at fair value through profit or loss, 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 and distribution of Chinese language lifestyle magazines, throughout the years ended 31st March 2007 and 2006.

6 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April 2005					
Cost	240	1,080	2,131	–	3,451
Accumulated depreciation	(59)	(324)	(442)	–	(825)
Net book amount	181	756	1,689	–	2,626
Year ended 31st March 2006					
Opening net book amount	181	756	1,689	–	2,626
Additions	1,018	539	1,680	–	3,237
Disposals	–	(21)	(13)	–	(34)
Depreciation	(232)	(354)	(782)	–	(1,368)
Closing net book amount	967	920	2,574	–	4,461
At 31st March 2006					
Cost	1,172	1,587	3,786	–	6,545
Accumulated depreciation	(205)	(667)	(1,212)	–	(2,084)
Net book amount	967	920	2,574	–	4,461
Year ended 31st March 2007					
Opening net book amount	967	920	2,574	–	4,461
Exchange differences	54	21	75	(1)	149
Additions	2,874	1,359	2,197	981	7,411
Disposals	–	–	(33)	–	(33)
Depreciation	(454)	(682)	(1,289)	(89)	(2,514)
Closing net book amount	3,441	1,618	3,524	891	9,474
At 31st March 2007					
Cost	4,136	2,990	6,091	981	14,198
Accumulated depreciation	(695)	(1,372)	(2,567)	(90)	(4,724)
Net book amount	3,441	1,618	3,524	891	9,474

Depreciation expense of HK$2,514,000 (2006: HK$1,368,000) has been charged in cost of goods sold and administrative expenses.

7 GOODWILL

	Total
	HK$'000
At 31st March 2005, 2006 and 2007	
Cost	2,028
Accumulated amortisation and impairment	–
Net book amount	2,028

The goodwill comes from the acquisition of its PRC subsidiaries in 2004 and the Group's PRC segment is determined to be the corresponding cash-generating units ("CGU").

The recoverable amount of this CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Key assumptions used for value-in-use calculations are 10% to 30% for growth rate and 8% to 10% for the discount rate. Management determined budgeted gross margin based on past performance and its expectations for the market development. The growth rates used are consistent with the industry forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

8 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost *(Note (a))*	**353,400**	353,400
Amounts due from subsidiaries *(Note (b))*	**49,436**	29,508
	402,836	382,908

8 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at 31st March 2007:

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	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US$1 each	100%
Ming Pao Magazines Limited	Hong Kong, limited liability company	Magazines publishing in Hong Kong	165,000 ordinary shares of HK$10 each	100%
One Media (HK) 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	Hong Kong, limited liability company	Dormant	100 ordinary shares of HK$1 each	100%
Media2U (BVI) Company Limited	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)	PRC, limited liability company	Magazines operation in PRC	Registered capital of US$70,000	100%
Beijing Times Resource Technology Consulting Limited ("TRT") (北京新時代潤誠科技諮詢有限公司)	PRC, limited liability company	Magazines operation in PRC	Registered capital of RMB3,000,000	[2]100%

8 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at 31st March 2007: *(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 Advertising Company Limited ("TRA") (北京時代潤誠廣告有限公司)	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)	PRC, limited liability company	Magazines advertising in PRC	Registered capital of RMB18,803,036	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.

(b) Amounts due from subsidiaries are unsecured, interest-free and without fixed terms of repayment.

9 INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**10,989**	10,963
Finished goods	**–**	114
	10,989	11,077

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$69,346,000 (2006: HK$47,786,000).

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**54,282**	46,679	**–**	–
Less: provision for impairment of trade receivables	**(1,494)**	(1,471)	**–**	–
Trade receivables – net	**52,788**	45,208	**–**	–
Prepayments and deposits	**5,388**	6,807	**280**	79
	58,176	52,015	**280**	79

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

10 TRADE AND OTHER RECEIVABLES *(Continued)*

The Group allows in general a credit period ranging from 60 days to 120 days to its trade customers. At 31st March 2007 and 2006, the ageing analysis of the Group's trade receivables net of impairment provision was as follows:

	2007 HK$'000	2006 HK$'000
0 to 60 days	**29,347**	24,422
61 to 120 days	**14,337**	13,408
121 to 180 days	**6,089**	6,394
Over 180 days	**3,015**	984
	52,788	45,208

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$689,000 (2006: HK$604,000) for the impairment of its trade receivables during the year ended 31st March 2007. The loss has been included in selling and distribution costs in the consolidated income statement.

11 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007 HK$'000	2006 HK$'000
Unlisted securities:		
– Hybrid instrument – Hong Kong	**3,776**	–
Market value of unlisted securities	**3,776**	–

The instrument was designated by management as financial assets at fair value through profit or loss on initial recognition as the management was not able to measure the embedded derivate separately either at acquisition or at a subsequent financial reporting date and the embedded derivatives of the instrument could significantly modify the cash flows that would otherwise be required by the instrument.

11 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

(Continued)

Financial asset at fair value through profit or loss is presented within the section on investing activities as part of changes in working capital in the consolidated cash flow statement (Note 27).

In current year, a fair value loss of HK$113,000 of financial asset held at fair value through profit or loss is recorded in administrative expenses in the consolidated income statement.

The fair value of all hybrid instruments is based on their current bid prices in an active market.

12 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**6,994**	8,862	**32**	29
Short-term bank deposits	**84,363**	85,258	**55,317**	76,258
	91,357	94,120	**55,349**	76,287

The effective interest rate on short-term bank deposits was 4.14% (2006: 4.37%); these deposits have maturity ranged from 30 days to 90 days.

Cash, cash equivalents and bank overdraft include the following for the purposes of the consolidated cash flow statement:

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**91,357**	94,120	**55,349**	76,287
Bank overdraft	**–**	(30)	**–**	–
	91,357	94,090	**55,349**	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$9,832,000 (2006: HK$4,318,000), of which the remittance is subject to foreign exchange control.

13 SHARE CAPITAL

	Number of shares (in thousands)	Ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 1st April 2005	1,000	1	–	1
Issuance of shares for Reorganisation *(Note (a))*	299,000	299	353,106	353,405
Issuance of shares for IPO *(Note (b))*	100,000	100	102,967	103,067
At 31st March 2006 and 2007	400,000	400	456,073	456,473

The total authorised number of ordinary shares is 4,000 million shares (2006: 4,000 million shares) with a par value of HK$0.001 per share (2006: HK$0.001). All issued shares are fully paid.

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.

Share options

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

Pursuant to the Schemes, the Board may, at its absolute discretion, grant share options to any full time employees, executive and non-executive directors (including independent non-executive directors) of the Group or the MPE Group (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.

13 SHARE CAPITAL *(Continued)*

Share options *(Continued)*

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 of the Pre-IPO Scheme of OMG outstanding and the average exercise prices are as follows:

	2007		2006	
	Average exercise price in HK$ per share	**Number of share options** (in thousands)	Average exercise price in HK$ per share	Number of share options (in thousands)
At 1st April	1.2	14,472	–	–
Granted	–	–	1.2	14,680
Lapsed	1.2	(390)	1.2	(208)
At 31st March	1.2	14,082	1.2	14,472

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 3,642,000 share options being exercisable as at 31st March 2007 (2006: Nil).

During the year, no share options were exercised or cancelled and 390,000 (2006: 208,000) share options were lapsed.

The fair value of options granted during the year ended 31st March 2006 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$2,587,000 was recognised and specified in the consolidated income statement for the year ended 31st March 2007 (2006: HK$794,000).

14 RESERVES

(a) Group

	Employee share-based payment reserve HK$'000	Merger reserve HK$'000 (Note (i))	Capital reserve HK$'000 (Note (ii))	Share issuance costs HK$'000	Exchange reserve HK$'000	Long service payment reserve HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
Balance at 1st April 2005	–	(343,050)	10,000	(432)	3	–	10,577	–	(322,902)
Share issuance costs	–	–	–	(16,656)	–	–	–	–	(16,656)
Transfer to share premium	–	–	–	17,088	–	–	–	–	17,088
Currency translation differences	–	–	–	–	(341)	–	–	–	(341)
Share compensation costs on share options granted *(Note 21)*	794	–	–	–	–	–	–	–	794
Actuarial loss on long service payment obligation	–	–	–	–	–	(103)	–	–	(103)
Profit for the year	–	–	–	–	–	–	7,027	–	7,027
Dividend relating to 2006	–	–	–	–	–	–	(1,500)	1,500	–
Balance at 31st March 2006	794	(343,050)	10,000	–	(338)	(103)	16,104	1,500	(315,093)
Balance at 1st April 2006	794	(343,050)	10,000	–	(338)	(103)	16,104	1,500	(315,093)
Currency translation differences	–	–	–	–	287	–	–	–	287
Share compensation costs on share options granted *(Note 21)*	2,587	–	–	–	–	–	–	–	2,587
Actuarial gain on long service payment obligation	–	–	–	–	–	29	–	–	29
Profit for the year	–	–	–	–	–	–	3,077	–	3,077
Dividend paid relating to 2006	–	–	–	–	–	–	–	(1,500)	(1,500)
Dividend relating to 2007	–	–	–	–	–	–	(1,500)	1,500	–
Balance at 31st March 2007	**3,381**	**(343,050)**	**10,000**	**–**	**(51)**	**(74)**	**17,681**	**1,500**	**(310,613)**

Note:

Pursuant to the Reorganisation to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company's shares on The Stock Exchange, the Company became the holding company of the companies now comprising the Group on 26th September 2005.

(i) Merger reserve of the Group represented a credit balance of HK$1,650,000 resulted from the difference between the nominal value of the issued capital of One Media (HK) Limited and Ming Pao Magazine Limited acquired and the consideration of HK$11 paid pursuant to the Reorganisation; and a debit balance of HK$344,700,000 resulted from the difference between the nominal value of the issued capital of One Media Holdings Limited acquired and the fair value of consideration of shares allotted under the Reorganisation as detailed in Note 13(a).

14 RESERVES *(Continued)*

(a) Group *(Continued)*

Note: (Continued)

(ii) On 31st July 1992, Ming Pao Magazine 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.

(b) Company

	Share issuance costs HK$'000
Balance at 1st April 2005	(432)
Share issuance costs *(Note 13)*	(16,656)
Transfer to share premium	17,088
Balance at 31st March 2006 and 2007	–

15 TRADE AND OTHER PAYABLES

	Group		**Company**	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Trade payables	**9,707**	11,324	**–**	–
Accrued expenses and receipts in advance	**18,419**	13,799	**52**	1,704
	28,126	25,123	**52**	1,704
Amounts due to fellow subsidiaries	**3,142**	2,402	**–**	–
	31,268	27,525	**52**	1,704

15 TRADE AND OTHER PAYABLES *(Continued)*

At 31st March 2007 and 2006, the ageing analysis of the trade payables was as follows:

	2007	2006
	HK$'000	HK$'000
0 to 60 days	**8,092**	8,660
61 to 120 days	**667**	2,340
121 to 180 days	**674**	196
Over 180 days	**274**	128
	9,707	11,324

16 TRUST RECEIPT LOANS

	Group	
	2007	2006
	HK$'000	HK$'000
Trust receipt loans	**–**	338

As at 31st March 2006, the effective interest rate was 6.68%. The carrying amounts of trust receipt loans which were denominated in HK dollars approximated their fair values.

17 BANK FACILITIES

The Group has the following undrawn bank facilities:

	Group	
	2007	2006
	HK$'000	HK$'000
Floating rate		
– expiring within one year	**40,583**	19,662

The facilities expiring within one year are annual facilities subject to review at various dates during 2007.

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 offset amounts are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**–**	(304)
– Deferred tax assets to be recovered within 12 months	**(2,007)**	(3,727)
	(2,007)	(4,031)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered within 12 months	**508**	292
	(1,499)	(3,739)

The gross movement on the deferred income tax account is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Beginning of the year	**3,739**	(241)
(Charged)/credited in the consolidated income statement *(Note 23)*	**(2,240)**	3,980
End of the year	**1,499**	3,739

18 DEFERRED INCOME TAX *(Continued)*

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 2005	270
Charged in the consolidated income statement	22
At 31st March 2006	292
Charged in the consolidated income statement	216
At 31st March 2007	508

Deferred income tax assets:

	Tax losses	**Provision of assets**	**Total**
	HK$'000	HK$'000	HK$'000
At 1st April 2005	–	(29)	(29)
(Credited)/charged in the consolidated income statement	(4,031)	29	(4,002)
At 31st March 2006	(4,031)	–	(4,031)
Charged in the consolidated income statement	2,024	–	2,024
At 31st March 2007	(2,007)	–	(2,007)

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$1,228,000 (2006: HK$1,101,000) in respect of losses amounting to HK$3,340,000 (2006: HK$4,916,000) that can be carried forward against future taxable income. The unrecognised tax losses relating to the PRC subsidiaries will expire by the end of December 2007.

19 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 made during the year. Current service costs and interest on obligation were recognised during the year and included in employee benefit expense (Note 21).

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

	2007	2006
	HK$'000	HK$'000
Present value of the long service payment obligation	**78**	90

Movement of present value of long service payment obligation is as follows:

	2007	2006
	HK$'000	HK$'000
Beginning of the year	**90**	9
Current service cost	**25**	1
Interest cost	**4**	–
Long service payment made during the year	**(12)**	(23)
Actuarial (gain)/loss on obligation	**(29)**	103
End of the year	**78**	90

Movements in the provision for long service payments are as follows:

	2007	2006
	HK$'000	HK$'000
Beginning of the year	**90**	9
Charged to the income statement *(Note 21)*	**29**	1
(Charged)/credited to the consolidated statement of recognised income and expense	**(29)**	103
Long service payments made during the year	**(12)**	(23)
End of the year	**78**	90

19 LONG SERVICE PAYMENT *(Continued)*

The amount recognised in the consolidated statement of recognised income and expense is as follows:

	2007	2006
	HK$'000	HK$'000
Cumulative amount of actuarial loss at beginning of the year	**(103)**	–
Net actuarial gain/(loss) during the year	**29**	(103)
Cumulative amount of actuarial losses at end of the year	**(74)**	(103)

The principal actuarial assumption used was as follows:

	2007	2006
Average future working lifetime (in years)	**8**	6
Discount rate (%)	**4.25**	4.5
Expected rate of return of assets (%)	**4.0 to 6.0**	2.5 to 7.0
Expected rate of future salary increases (%)		
– 2007 to 2008 (2006: 2006 to 2007)	**3.0**	1.5
– 2009 and onwards (2006: 2008 and onwards)	**4.0**	4.0

Other disclosure figures for the current and previous year are as follows:

	2007	2006
	HK$'000	HK$'000
As at 31st March		
Present value of the long service payment obligation	**78**	90
Experience adjustment on the long service payment obligation	**28**	111

20 EXPENSES BY NATURE

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

	2007 HK$'000	2006 HK$'000
Depreciation *(Note 6)*	**2,514**	1,368
Employee benefit expense (including directors' emoluments *(Note 21)*	**63,337**	53,855
Raw materials used	**69,281**	47,786
Loss on disposal of property, plant and equipment	**30**	34
Occupancy costs	**3,867**	2,993
Auditor's remuneration	**795**	802
Others	**77,446**	77,367
	217,270	184,205

21 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2007 HK$'000	2006 HK$'000
Wages and salaries	**54,399**	48,088
Unutilised annual leave	**322**	365
Social security costs *(Note a)*	**1,940**	1,071
Share compensation costs on share options granted *(Note 13)*	**2,587**	794
Pension costs – defined contribution plans and MPF Scheme *(Note b)*	**1,712**	1,408
Staff welfare and allowances	**2,377**	2,129
	63,337	53,855

(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.

21 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS *(Continued)*

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31st March 2007 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution 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	–	–	–	–	213	213
Mr. TIONG Kiew Chiong	–	–	–	–	213	213
Mr. Peter Bush BRACK	–	1,620	–	12	213	1,845
Mr. TUNG Siu Ho, Terence	–	1,620	47	81	171	1,919
Mr. Robert William Hong-San YUNG	–	850	–	12	171	1,033
Independent Non-Executive Directors						
Mr. YU Hon To, David	120	–	–	–	26	146
Mr. SIT Kien Ping, Peter	120	–	–	–	26	146
Mr. TAN Hock Seng, Peter	120	–	–	–	26	146

The remuneration of every Director for the year ended 31st March 2006 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Employer's contribution 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

21 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS *(Continued)*

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2006: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2006: 3) individuals during the year are as follows:

	2007	2006
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**4,271**	4,048
Discretionary bonuses	**74**	118
Contributions to pension scheme	**130**	126
Share compensation costs on share options granted	**316**	74
	4,791	4,366

The emoluments of the remaining three individuals fell within the following bands:

	Number of individuals	
	2007	2006
	HK$'000	HK$'000
Emolument bands		
HK$1,000,001 – HK$1,500,000	**1**	2
HK$1,500,001 – HK$2,000,000	**2**	1

22 FINANCE COSTS

	2007	2006
	HK$'000	HK$'000
Interest on trust receipt loans	**–**	263
Bank interest expenses	**–**	43
	–	306

23 INCOME TAX (EXPENSE)/CREDIT

No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year (2006: 17.5%).

No provision for the PRC enterprise income tax has been made as the Group has no assessable profits generated during the year ended 31st March 2007. The PRC enterprise income tax was provided at the applicable rates between 7.5% and 33% on the profit of the Group's operations in the PRC during the year ended 31 March 2006, in accordance with the income tax laws of the PRC for foreign-invested enterprises and domestic companies.

	2007	2006
	HK$'000	HK$'000
Hong Kong profits tax		
– current income tax	**–**	(2,316)
– underprovisions in prior years	**(132)**	(35)
PRC enterprise income tax		
– current income tax	**–**	(83)
– (under)/over provisions in prior years	**(8)**	372
Deferred income tax *(Note 18)*		
– current deferred income tax (charge)/credit	**(2,241)**	3,980
	(2,381)	1,918

23 INCOME TAX (EXPENSE)/CREDIT *(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:

	2007	2006
	HK$'000	HK$'000
Profit before tax	**5,458**	5,109
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(1,311)**	(813)
Income not subject to tax	**570**	386
Expenses not deductible for tax purposes	**(912)**	(1,180)
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	**(588)**	(1,103)
(Under)/over provisions in prior years	**(140)**	337
Tax (expense)/credit	**(2,381)**	1,918

The weighted average applicable tax rate was 24% (2006: 16%). The increase is caused by a change in the profitability of the Group's subsidiaries in the PRC.

24 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit/(loss) attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$843,000 (2006: Loss of HK$403,000).

25 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 13).

	2007	2006
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**3,077**	7,027
Weighted average number of ordinary shares in issue (in thousands)	**400,000**	343,011
Basic earnings per share (HK cents per share)	**0.77**	2.05

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.

There is no dilutive effect arising from the share options granted by the Company.

26 DIVIDENDS

During the year ended 31st March 2007, HK$1,500,000 (HK0.375 cent per share) of dividend was paid for the year ended 31st March 2006 and no dividends were paid for the year ended 31st March 2007. A dividend in respect of the year ended 31st March 2007 of HK0.375 cent per share, amounted to a total dividend of HK$1,500,000 is to be proposed at the Annual General Meeting on 7th September 2007. These consolidated financial statements do not reflect this dividend payable but account for it as proposed dividend.

	2007	2006
	HK$'000	HK$'000
Proposed final dividend of HK0.375 cent (2006: HK0.375 cent) per ordinary share	**1,500**	1,500

27 CASH GENERATED FROM OPERATIONS

	2007	2006
	HK$'000	HK$'000
Profit before income tax	**5,458**	5,109
Adjustments for:		
– Depreciation *(Note 6)*	**2,514**	1,368
– Loss on disposal of property, plant and equipment (see below)	**30**	34
– Interest income *(Note 5)*	**(3,299)**	(1,645)
– Interest expense *(Note 22)*	**–**	306
– Share compensation costs on share options granted	**2,587**	794
– Change in fair value of financial asset at fair value through profit or loss	**113**	–
– Loss/(income) related to long service payment scheme	**17**	(22)
Changes in working capital:		
– Increase in inventories	**88**	(9,018)
– Increase in trade and other receivables	**(6,161)**	(2,795)
– Decrease in amount due to the immediate holding company	**–**	(3,339)
– Increase in amounts due to fellow subsidiaries	**740**	564
– Increase in trade and other payables	**3,003**	11,022
Cash generated from operations	**5,090**	2,378

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

	2007	2006
	HK$'000	HK$'000
Net book amount *(Note 6)*	**33**	34
Loss on disposal of property, plant and equipment	**(30)**	(34)
Proceeds from disposal of property, plant and equipment	**3**	–

28 COMMITMENTS

(a) Capital commitments

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

	Group	
	2007	2006
	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	
	2007	2006
	HK$'000	HK$'000
No later than 1 year	**3,067**	2,994
Later than 1 year and no later than 5 years	**4,635**	7,510
	7,702	10,504

There is no capital and operating lease commitment for the Company as at 31st March 2007 (2006: Nil).

29 RELATED-PARTY TRANSACTIONS

The Group is controlled by Winmax Resources Limited (incorporated in the British Virgin Islands), which owns 73.9% of the Company's shares. The remaining 26.1% of the shares are widely held. The ultimate parent of the Company is Ming Pao Enterprise Corporation Limited (incorporated in Bermuda).

29 RELATED-PARTY TRANSACTIONS *(Continued)*

The following transactions were carried out with related parties:

(i) During the year ended 31st March 2007, the Group had entered into the following significant transactions with fellow subsidiaries:

	Note	**2007** HK$'000	2006 HK$'000
License fee	a	**14,317**	13,658
Circulation support services	b	**1,777**	3,117
Library support fee	c	**361**	304
Editorial support fee	d	**241**	283
EDP programming support services	e	**663**	943
Administrative support services	f	**1,932**	1,664
Personnel, public relations and legal services	g	**696**	961
Leasing of computers and other office equipment	h	**242**	228
Leasing of office space, storage space and parking spaces	i	**1,824**	1,510
Type-setting expenses	j	**126**	127
Colour separation expenses	k	**934**	891
Film making expenses	l	**617**	198
Ticketing and accommodation expenses	m	**828**	703
Barter advertising expenses	n	**1,000**	1,000
Barter advertising income	o	**(1,000)**	(1,000)
Printing costs	p	**407**	160
Promotion expenses	q	**83**	93
Pension costs – defined contribution plan	r	**1,712**	1,408
		26,760	26,248

Note:

(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.

29 RELATED-PARTY TRANSACTIONS *(Continued)*

(i) During the year ended 31st March 2007, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

Note: (Continued)

(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 spaces. 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 costs 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.

(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.

29 RELATED-PARTY TRANSACTIONS *(Continued)*

(i) During the year ended 31st March 2007, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

Note: (Continued)

(p) This represented the printing costs of "*T3 科技新時代*", charged by a fellow subsidiary. For the year ended 31st March 2006, the amount represented the printing costs of promotional leaflets for *Hi-Tech Weekly* charged by another 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

(r) This represented defined contribution costs made to a fellow subsidiary for the Group's pension obligation in which the Group is sharing the risks associated with the Scheme with the MPE Group. There is no stated policy or contractual agreement between the Group and the MPE Group. It is charged based on a pre-determined rate of its employees' salaries.

(ii) Year end balance arising from the related parties transactions as disclosed in Note 29 (i) above were as follows:

	2007	2006
	HK$'000	HK$'000
Amounts due to fellow subsidiaries	**3,142**	2,402

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

	2007	2006
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**5,372**	5,800
Contributions to pension scheme	**117**	115
Share compensation costs on share options granted	**1,152**	269
	6,641	6,184

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS

(a) Reconciliation of equity as at 1st April 2005 (date of transition to IFRS) – Group

	Notes	HKFRS	Effects of conversion to IFRS	IFRS
		HK$'000	HK$'000	HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment		2,626	–	2,626
Goodwill		2,028	–	2,028
Defined benefit plan's assets	(i)	924	(924)	–
		5,578	(924)	4,654
Current assets				
Inventories		2,059	–	2,059
Trade and other receivables		49,220	–	49,220
Cash and cash equivalents		8,175	–	8,175
		59,454	–	59,454
Total assets		65,032	(924)	64,108

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(a) Reconciliation of equity as at 1st April 2005 (date of transition to IFRS) – Group *(Continued)*

	Notes	HKFRS HK$'000	Effects of conversion to IFRS HK$'000	IFRS HK$'000
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		1	–	1
Other reserves		11,221	–	11,221
Retained earnings	(i)	11,501	(924)	10,577
Total equity		22,723	(924)	21,799
LIABILITIES				
Non-current liabilities				
Long service payment liability		9	–	9
Deferred income tax liabilities		241	–	241
		250	–	250
Current liabilities				
Trade and other payables		12,397	–	12,397
Amount due to the immediate holding company		3,339	–	3,339
Amounts due to fellow subsidiaries		1,838	–	1,838
Dividend payable		22,000	–	22,000
Income tax liabilities		2,485	–	2,485
		42,059	–	42,059
Total liabilities		42,309	–	42,309
Total equity and liabilities		65,032	(924)	64,108
Net current assets		17,395	–	17,395
Total assets less current liabilities		22,973	(924)	22,049

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(b) Reconciliation of equity as at 31st March 2006 – Group

	Notes	HKFRS HK$'000	Effects of conversion to IFRS HK$'000	IFRS HK$'000
ASSETS				
Non-current assets				
Property, plant and equipment		4,461	–	4,461
Goodwill		2,028	–	2,028
Defined benefit plan's assets	(i)	919	(919)	–
Long service payment assets	(ii)	13	(13)	–
Deferred income tax assets		3,739	–	3,739
		11,160	(932)	10,228
Current assets				
Inventories		11,077	–	11,077
Trade and other receivables		52,015	–	52,015
Income tax recoverable		2,006	–	2,006
Cash and cash equivalents		94,120	–	94,120
		159,218	–	159,218
Total assets		170,378	(932)	169,446

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(b) Reconciliation of equity as at 31st March 2006 – Group *(Continued)*

	Notes	HKFRS HK$'000	Effects of conversion to IFRS HK$'000	IFRS HK$'000
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		400	–	400
Share premium	(iii)	111,373	344,700	456,073
Other reserves	(ii), (iii)	12,106	(344,803)	(332,697)
Retained earnings	(i)	17,023	(919)	16,104
Proposed final dividend		1,500	–	1,500
Total equity		142,402	(1,022)	141,380
LIABILITIES				
Non-current liability				
Long service payment liability	(ii)	–	90	90
Current liabilities				
Trade and other payables		25,123	–	25,123
Amounts due to fellow subsidiaries		2,402	–	2,402
Income tax liabilities		83	–	83
Trust receipt loans, unsecured		338	–	338
Bank overdrafts		30	–	30
		27,976	–	27,976
Total liabilities		27,976	90	28,066
Total equity and liabilities		170,378	(932)	169,446
Net current assets		131,242	–	131,242
Total assets less current liabilities		142,402	(932)	141,470

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(c) Reconciliation of profit for the year ended at 31st March 2006 – Group

	Notes	HKFRS HK$'000	Effects of conversion to IFRS HK$'000	IFRS HK$'000
Revenue		187,975	–	187,975
Cost of goods sold		(108,309)	–	(108,309)
Gross profit		79,666	–	79,666
Other income		1,645	–	1,645
Selling and distribution costs		(49,449)	–	(49,449)
Administrative expenses	(i)	(26,452)	5	(26,447)
Operating profit		5,410	5	5,415
Finance costs		(306)	–	(306)
Profit before income tax		5,104	5	5,109
Income tax credit		1,918	–	1,918
Profit for the year		7,022	5	7,027
Attributable to:				
Equity holders of the Company		7,022	5	7,027
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)				
– Basic		2.05	–	2.05
– Diluted		2.05	–	2.05
Dividends		1,500	–	1,500

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(d) Reconciliation of equity as at 31st March 2006 – Company

	Notes	HKFRS HK$'000	Effects of conversion to IFRS HK$'000	IFRS HK$'000
ASSETS				
Non-current assets				
Interests in subsidiaries	(iii)	38,208	344,700	382,908
Current assets				
Other receivables		79	–	79
Cash and cash equivalents		76,287	–	76,287
		76,366	–	76,366
Total assets		114,574	344,700	459,274
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital		400	–	400
Share premium	(iii)	111,373	344,700	456,073
Accumulated losses		(403)	–	(403)
Proposed final dividend		1,500	–	1,500
Total equity		112,870	344,700	457,570

30 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(d) Reconciliation of equity as at 31st March 2006 – Company *(Continued)*

	Notes	HKFRS HK$'000	Effects of conversion to IFRS HK$'000	IFRS HK$'000
LIABILITIES				
Current liabilities				
Other payables		1,704	–	1,704
Total liabilities		1,704	–	1,704
Total equity and liabilities		114,574	344,700	459,274
Net current assets		74,662	–	74,662
Total assets less current liabilities		112,870	344,700	457,570

Notes:

(i) Under IAS 19 (Amendment) – Employee Benefits, the Group changed from recognising its contributions made to the Scheme as detailed in Note 2.16 from a defined benefit plan to a defined contribution plan since it is sharing the risks associated with the Scheme with the MPE Group. It resulted in a decrease in retained earning by HK$924,000 and HK$919,000 as at 1st April 2005 and 31st March 2006 respectively. The employee benefit expense also decreased by HK$5,000 for the year ended 31st March 2006.

(ii) The adoption of IAS 19 also resulted in a change of recognising the actuarial losses related to the long service payment by HK$103,000. A change from a long service payment asset amounted to HK$13,000 to a long service payment liability amounted to HK$90,000 was also resulted.

(iii) Under IAS 27 – Consolidated and Separate Financial Statements, the Company measures the cost of its investments in subsidiaries at fair value of shares issued in acquiring the subsidiaries. Previously under HKFRS, the Company recorded its investments in subsidiaries at deemed cost based on the book value of subsidiaries acquired under group reorganisation.

FIVE-YEAR FINANCIAL SUMMARY

The results of the Group for the last five financial years are as follows:

	For the year ended 31st March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**219,429**	187,975	177,115	151,564	154,529
Profit attributable to the equity holders of the Company	**3,077**	7,027	22,386	21,223	19,665
Basic earnings per share	**0.77 cent**	2.05 cents	7.58 cents	NA	NA

The assets and liabilities of the Group for the last five financial years are as follows:

	As at 31st March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Goodwill	**2,028**	2,028	2,028	–	–
Property, plant and equipment	**9,474**	4,461	2,626	1,102	–
Defined benefit plan's assets	**–**	–	924	936	936
Financial asset at fair value through profit or loss	**3,776**	–	–	–	–
Deferred income tax assets	**1,499**	3,739	–	–	82
Current assets	**160,522**	159,218	59,454	48,834	57,261
Current liabilities	**(31,361)**	(27,976)	(42,059)	(36,474)	(40,900)
Net current assets	**129,161**	131,242	17,395	12,360	16,361
Total assets less current liabilities	**145,938**	141,470	22,973	14,398	17,379
Long service payment liability	**(78)**	(90)	(9)	(6)	–
Deferred income tax liabilities	**–**	–	(241)	(75)	–
Capital and reserves attributable to the equity holders of the Company	**145,860**	141,380	22,723	14,317	17,379

Note: The figures for the year ended 31st March 2006 had been restated pursuant to the adoption of IFRSs. Figures for the year ended 31st March 2005 and prior corresponding years have not been restated as it would involve delay and expenses out of proportion to the benefit to equity holders.

万华媒体
ONEMEDIAGROUP
One Media Group Limited
萬華媒體集團有限公司

HONG KONG 香港
16/F, Block A, Ming Pao Industrial Centre,
18 Ka Yip Street, Chai Wan, Hong Kong
香港柴灣嘉業街18號明報工業中心A座16樓
Tel: (852) 3605 3705 Fax: (852) 2898 2527
Website: http://www.omghk.com

BEIJING 北京
19/F, Tower A, Full Link Plaza,18 Chaoyangmenwai Ave.,
Chaoyang District, Beijing, China 100020
北京市朝陽區朝陽門外大街18號豐聯廣場大廈A座19層（100020)
Tel: (8610) 6588 6161 Fax: (8610) 6588 9677

SHANGHAI 上海
Unit 1903, 19/F, Shenshi Mansion, 511 Weihai Road,
Shanghai, China 200041
上海市威海路511號紳士大廈19層1903室（200041)
Tel: (8621) 6141 9111 Fax: (8621) 6141 9100

GUANGZHOU 廣州
Unit C, 30/F, Zhongqiao Mansion, 76 Xianlie Zhonglu,
Guangzhou, China 510095
廣州市先烈中路76號中僑大廈30樓C單元（510095)
Tel: (8620) 2237 0256 Fax: (8620) 2237 0281 內線 880