New Media Group Holdings Limited

(incorporated in Hong Kong with limited liability)
(stock code : 708)

0708 Annual Report

新傳媒集團控股有限公司
07/08年報

新地 oriental sunday

新假期

新Monday

Fashion & Beauty 流行新姿

Economic Digest 經濟一週

新傳媒

新傳媒集團控股有限公司

New Media Group Holdings Limited

NEW BEGINNINGS
A FLIGHT IN THE SUN

That first bright step into the sunshine of life
begins with the opening of the family cocoon.
The caterpillar becomes a butterfly
spreading her wings into the world.

(from a poem by Linda Dietz)

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Directors

Percy Hughes, Shirley *(Chief Executive Officer)*

Lee Che Keung, Danny

Wong Chi Fai

Fan Man Seung, Vanessa

Hui Wai Man, Shirley*

Tse Hin Lin, Arnold*

Kwan Shin Luen, Susanna*

* Independent Non-executive Directors

Company Secretary

Fan Man Seung, Vanessa, *LL.B., CPA, MBA*

Qualified Accountant

Lai Wai Hung, Ivan, *ACCA/HKICPA*

Audit Committee

Hui Wai Man, Shirley *(Chairperson)*

Tse Hin Lin, Arnold

Kwan Shin Luen, Susanna

Remuneration Committee

Wong Chi Fai *(Chairman)*

Tse Hin Lin, Arnold

Kwan Shin Luen, Susanna

Auditor

Deloitte Touche Tohmatsu

Registered Office

10th Floor, Johnson Building

No. 14-16 Lee Chung Street

Chai Wan

Hong Kong

Corporate Information

Headquarters and principal place of business

10th Floor, Johnson Building
No.14-16 Lee Chung Street
Chai Wan, Hong Kong

Registrar

Tricor Secretaries Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

Website

http://www.nmg.com.hk

Stock Code

708

New Media Group Holdings Limited

0708 Annual Report

Management Discussion and Analysis

Financial Highlights

For the year ended 31st March

	2008 HK$'000	2007 HK$'000
Turnover		
Circulation income	**140,108**	125,334
Advertising income	**308,468**	263,112
Provision of magazine content	**3,797**	2,108
	452,373	390,554
Gross profit	**148,674**	114,252
Less:		
IPO costs	**(7,770)**	–
Share option costs	**(485)**	–
Profit for the year attributable to the equity holders of the Company	**31,174**	31,168
Earnings per share – Basic	**HK cents 6.63**	HK cents 6.93

The year under review – "07/08" – has been a most fruitful year for New Media Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"). It was a year of transformation and achievements, a year of metamorphosis, when it fluttered bravely out of the cocoon to begin a life on new wings. It was during the year that the Group successfully commenced trading on the Main Board of the Stock Exchange of Hong Kong under the Stock Code "0708", and was well received with enthusiastic responses when it debuted trading in February, 2008.

The Group – one of the leading magazine groups in Hong Kong – currently publishes five weeklies in Hong Kong, namely *Oriental Sunday* (東方新地), *Weekend Weekly* (新假期), *New Monday* (新Monday), *Fashion and Beauty* (流行新姿), and *Economic Digest* (經濟一週). Riding on the robust economic growth in Hong Kong, the Group's turnover for the year soared to a record high of HK$452.4 million, with an overall increase of HK$61.8 million, representing a 15.8% year-on-year growth (2007: HK$390.6 million).

Overview

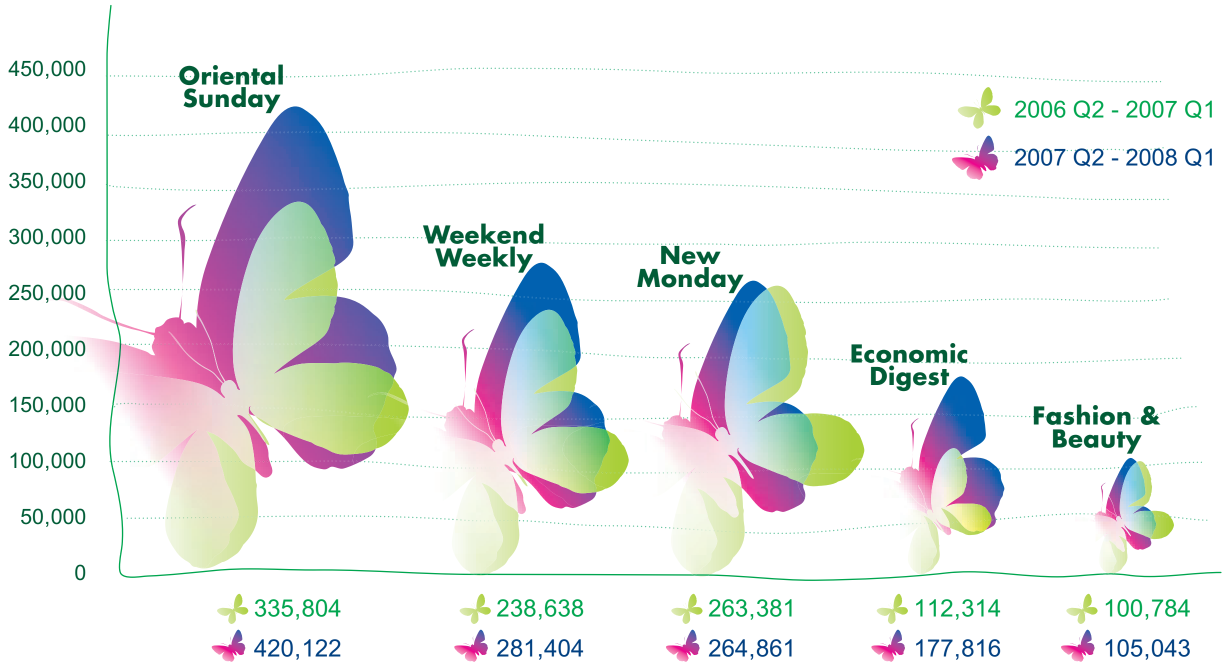
All sources of income – advertising, circulation and content sales – had experienced historical highs for the year. Gross profit rose 30.1% to HK$148.7 million (2007: HK$114.3 million). Profit before taxation jumped 59.0% to HK$39.6 million (2007: HK$24.9 million).

The Group's main sources of revenue are from advertising sales and circulation. Thanks to the enriched content and extensive readers' reach, the weeklies of the Group had enjoyed high popularity at the newsstands as well as among advertisers. The Group's advertising revenue reached HK$308.5 million, with an increase of 17.3% compared to HK$263.1 million in the previous year. Income from circulation also rose 11.8% from HK$125.3 million in 2007 to HK$140.1 million for the year. The magazines did not only enjoy its high popularity in Hong Kong but also Chinese communities elsewhere. Revenue from provision of magazine content – mainly to PRC publishers – was up by 81.0% to HK$3.8 million (2007: HK$2.1 million). The magazine content, which is well recognised by its high-quality production and newsworthiness, is available across the border to mainland readers.

The weeklies market in Hong Kong remained highly competitive during the year. According to the Synovate Limited's Hong Kong Media Atlas reports, the number of weekly magazine readers – approximately 5.1 million total population aged between 15 and 64 – dropped slightly from approximately 2.4 million in the year 2006Q2-2007Q1 to approximately 2.3 million in 2007Q2-2008Q1.

With loyal readers from a wide range of age groups and professional backgrounds, the Group's five magazines continued to enjoy high level of popularity and even demonstrated strong growth momentum. All of our magazines managed to reach new heights in readership during the year.

New Media Group's Average Readership Per Issue (Synovate Media Atlas)



The clearly-defined and focused positioning of each magazine enabled the weeklies to be leaders in their distinctive categories, attracting both readers and advertisers and taking advertising and circulation income to new heights.

Review of Operations

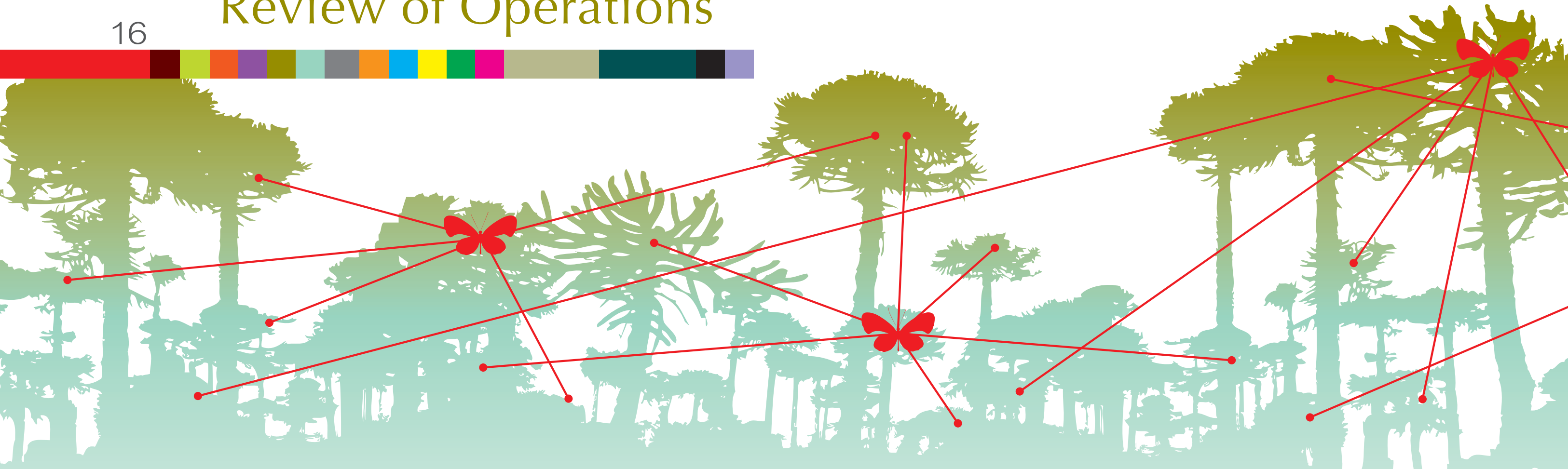
Oriental Sunday

Already well established as one of the leading titles among local weeklies, *Oriental Sunday* covers a wide range of topics, from the latest entertainment and celebrity news to fashion and lifestyle, as well as shopping, dining and health tips.

According to the Synovate's Media Atlas 2007Q2-2008Q1 report, *Oriental Sunday* continued to stand strongly as one of the most popular entertainment and lifestyle magazines among well educated working females, especially aged between 20 and 44, with an average readership of 420,122, representing a 25.1% growth compared to 335,804 in the previous year. The audit report of The Hong Kong Audit Bureau of Circulations Limited also showed that the average circulation of *Oriental Sunday* had increased to 177,439 copies per issue during the period between 1st July, and 31st December, 2007 from 156,229 during the previous corresponding period.

Catering to the needs of its Office Ladies ("OL") readers, the magazine's supplement "MORE" is an all-round fashion and beauty guide on the latest trends and cosmetic products. Its own "MORE Club" also continued to offer exclusive product samples and gifts, as well as special discount packages to its club members. The "MORE Beauty Awards" (MORE 美容大賞) voting competition, held in February, 2008 for the sixth consecutive year, was received with enormous support from its readers. Celebrities and top models had also attended the ceremony to share their beauty tips.

During the year, *Oriental Sunday* had also introduced a supplement called "GoShopping" in March, 2007, and had further enhanced it with "GoHome", which includes family-oriented topics and tailored to attract new potential readers who are young parents eager for information relating to childcare, health tips, parenting and schooling. These measures had successfully strengthened the magazine's contents and helped to further widen its readership and advertiser ranges.



Weekend Weekly

According to the Synovate's Media Atlas report, *Weekend Weekly* saw its readership rose to 281,404 in the survey during the year (2007: 238,638), which was twice as many as that of its nearest rival in the same category. *Weekend Weekly* has managed to reinforce its position as the first and most well received travel and dining guide of its kind in the market, by strengthening its content and constantly creating new synergies with the local travel and dining industries. Its comprehensive guides and maps covering trendy hangout places from all corners of the world is more than useful to readers who are frequent and experienced travellers, as well as food lovers and connoisseurs.

Making the best use of an online platform, the magazine's website www.weekendhk.com has been developed into different formats with various functions to encourage greater interactions with its readers, which ranges from middle-class executives to younger college and university students. In addition to having basic features like forums, destination guides and excerpts from the magazine, a travel blog section (新假期旅遊投稿) was also developed in April, 2007, allowing readers to create their own travel blog and to share their travel experience and photo albums with the others. And as an extension for its supplement "Weekend Weekly – Ichiban" (飲食一番), the website had launched in late 2007 a powerful search engine for restaurants and dining locations, covering places in Hong Kong, Macau as well as the Pearl River Delta areas. More user-friendly features were added to the platform during the year, allowing users

新假期

to post food critics, recipes and make dinner appointments with friends. The dining website was made available to mobile users in February, 2008 (手機搵食頻道), offering the information not only to magazine readers and Internet users but also mobile subscribers.

Apart from the series of travel book sets which are all-time favourites among its readers, the magazine has also created an electronic travel guide in 2007 on game console PlayStation Portable ("PSP"). The "Travel Robot 1.0" series is Asia's first Chinese language PSP electronic travel guide, featuring short video clips, local shopping and dining guides, and travel-related functions such as audio language translation and foreign currency conversion.

Meanwhile, *Weekend Weekly* had co-organised annual events with local universities to enhance its relationship with younger readers, such as the joint-university backpackers' contest. The events had attracted contestants from local universities and received overwhelming responses and created talking points among the institutions.

Review of Operations

New Monday

New Monday is considered as one of the most popular guides in Hong Kong featuring latest news on pop idols, fashion and trends. It targets brand-conscious youths of both genders with high spending power of 15 to 29 in age.

The magazine has maintained a group of loyal fans of its own. It had an average readership at approximately 264,000 during the year, being the highest among its own category of local youth magazines. Teens and youngsters find the weekly magazine attractive with its photo albums on popular icons, special-collection items such as stickers, idol cards as well as freebies of latest trends. *New Monday* also has a regular supplement called "Honey" which provides fashion news, health and beauty tips and serves as a shopping guide for the younger generation.

新1MONDAY

Responding to market demands, *New Monday* had launched a newly-branded supplement called "*Top*" in September, 2007, which mainly features Taiwanese pop idols. The supplement, inserted into the main book on a bi-weekly basis, is particularly popular among teenage fans who are always craving for merchandising items and latest news of their idols.

To fit in the e-generation, *New Monday* has an online interactive platform offering – besides highlights from the latest issue of the magazine – online bidding, shopping information searching, forums and blogging services to appeal to its own community of younger readers. The site, launched in May, 2007, is inter-linked with Blowater.com.hk, a Group's platform for young readers to express and exchange thoughts.

New Monday had hosted regular marketing events and fans clubs activities during the year. To reinforce its branding as an icon for new trends, the magazine had created a new annual event during the year called "*Trend-setters of the Year*" ("潮Must"), for readers to vote for the top products, events or people whom they think have created sensational new trends during the year.

Review of Operations

Fashion and Beauty

Fashion and Beauty has a distinctive positioning as a fashion and beauty guide for style-conscious and trend-loving young female readers. The magazine had continued to shimmer as a popular reading among office ladies aged between 20 and 35 with a passion for quality life. Its readership had remained steady and strong with readership of 105,043 (2007: 100,784) during the year, according to Synovate's Media Atlas.

Fashion & Beauty 流行新姿

The magazine provides practical knowledge of functional fashion and beauty tips, covering topics like skin care and health treatments, horoscopes and dating tips. It frequently gives away free samples and booklets for readers who are eager to explore and try out new products.

The magazine also holds a number of annual events under its name to strengthen its market position. The first "Fashion & Beauty Outstanding Role Models of the Year"(Fashion & Beauty 卓越大獎) was held in December, 2007, while "The Perfect OL Beauty Contest" (完美OL選美大賽) and the "OL Elected: Perfect Brand Awards" (完美品牌大賞) both entered their second year in June, 2007 and September, 2007 respectively. All these events were held with great success and welcomed by advertisers and readers.

Review of Operations

Economic Digest

With a history of 27 years, *Economic Digest* is seen as a professional and authoritative finance and investment guide with a loyal pool of readers and manages to attract new fans. Published every Saturday, the magazine strives to provide the most current market information and analysis to affluent and young well-educated investors and entrepreneurs. Despite intensive competition and new entrants to the market, *Economic Digest* saw a dramatic increment of 58.3% in its readership as compared with last year, from 112,314 to 177,816, according to the Synovate's Media Atlas reports. The magazine comes with a main book of comprehensive stock reports and in-depth analysis by experts, a regular supplement and a monthly insert focusing on warrants' trading. The magazine also publishes additional booklets on dedicated topics on a non-regular basis.

ECONOMIC DIGEST
經濟一週

To maintain a close relationship and encourage more interaction with its readers, *Economic Digest* regularly organises and lines up seminars and forums for the public. During the year under review, the magazine had organised over 20 seminars with topics ranging from banking and finance to business trading and property investment, as well as stock market outlook and warrant trading strategies, with prominent investment professionals and finance experts attending the events to share their insights and views. The magazine had arranged a series of six dinner gatherings (經一飯局) in January to February, 2008, treating selected readers a dinner face-to-face with guest analysts to share their views on market trends and investment tactics. Besides, *Economic Digest* had organised awards of "Best SME Partners" (中小企最佳營商夥伴) and "Outstanding Enterprises" (傑出企業) to recognise the efforts and performance of top market players.

Book Publishing

The Group's book publishing section aims at maximising the usage of its contents under minimal resources. The Group publishes books on specific topics or titles based on market demands. During the year, a total of 64 new titles were published and sold in Hong Kong through various retail points. The readers' appetite had switched from fictions towards leisurely titles and inspirational topics during the year. Topics on finance and investment were also in greater demand, based on the sales of the titles.

Content Business

The Group's content licensing business has been further developed due to the vibrant publishing market in the PRC, especially in the South China regions, where the general public shares similar interests and lifestyle with the people of Hong Kong. The Group also provides consultation services to counterparts in the PRC, offering professional advice and technical know-how on magazine publishing.

Corporate Social Responsibilities

During the year, the Group has granted more than 100 free full-page advertising placements in the Group's five magazines to charitable, non-profit-making organizations to fulfill its corporate social responsibility as a publisher. These include Hong Kong Committee For Unicef, Fu Hong Society, The Hong Kong Society for the Blind, Agency for Volunteer Service, Hong Kong Red Cross, Hong Kong Employment Development Service and Senior Citizen Home Safety Association.

The Group made a donation of HK$1 million towards the Community Chest's 2007/08 Corporate and Employee Contribution Programme through the Stock Code Balloting for Charity Scheme when it was listed on the Main Board of the Stock Exchange in February 2008. Throughout the year, it has solicited donations from its staff to other charitable bodies and causes such as Medecins Sans Frontieres, Sowers Action, Hong Kong Cancer Fund, Orbis, the massive snowstorm that hit a large part of China in early 2008 and the recent earthquake that devastated the Sichuan Province.

The Group has been actively promoting volunteerism as another way for its staff to contribute to the community. Such volunteer works include "Hike for Hospice 2008" for the Society for the Promotion of Hospice Care in February 2008 and home visits to senior citizens with mooncakes as gifts during Mid-Autumn Festival for Senior Citizen Home Safety Association in September, 2007.

Outlook

The Group remains positive and confident for the coming years, with defined measures to tackle marketing competition and rising overhead costs. The Group had increased the retail price of three of its titles, namely *Oriental Sunday*, *New Monday* and *Weekend Weekly*, during the year in response to the continual increase in paper costs. Having taken these precautious steps to balance costs and expenses without sacrificing quality, the Group will continue to aim at enriching the magazines' content and up-keeping their printing quality to maintain its competitive edge in the market. With strengthened branding and market positioning through greater promotion and advertising efforts, the Group is confident to achieve its circulation and advertising targets with a steady readership in all of its magazines.

Outlook

On-line Portals

The Group will further expand its online portals and make better use of the cross-media platform, to further capitalise on the magazines' content and their leading market positions. Such move will broaden the Group's scope of business and diversify its existing distribution channels by creating new synergies and opportunities in the virtual community.

Since May, 2008, the Group has full control of the operations and management of its own websites. A newly formed team of staff will be designated to enhance the existing online features of *Weekend Weekly*, *New Monday* and *Oriental Sunday*. The official website of *Economic Digest* has recently been launched in April, 2008, and *Fashion & Beauty's* website will also be launched within the year as previously planned. The Group's sales teams are trained to integrate their sales experience and skills into a different and expanded dimension, creating greater flexibilities for existing advertising clients, while exploring new possibilities for potential ones.

The digital edition of the Group's magazines will also be available soon with the relaunch of the website eMag.com.hk during the third quarter of this year. Readers outside Hong Kong and Macau can access to the latest issue of the Group's magazines through online subscription. This will allow the Group to reach out to overseas readers without cannibalising its local circulation and distribution activities.

Content Business

The Group has begun to set up an operation office in the PRC to support its ground work in the mainland and to prepare for future business development. It will function as a sales office for the Group to liaise and source advertising and content licensing opportunities in the region. Employing mainland programmers and IT professionals, the PRC office will also serve as a base for the Group's plan to upgrade the existing publishing system. The Group believes a new editorial management system will smooth out the editorial and publishing operations while running the publication business at greater speed and flexibility on lower costs. The system will also enable the Group to develop its content licensing business, making the magazines' content more convenient for archive and ready-for-sale.

Liquidity and Financial Resources

The Group financed its operations by shareholders' equity and cash generated from operations.

As at 31st March, 2008, the Group had no bank and other borrowing (2007: Nil).

As at 31st March, 2008, the Group's gearing ratio was Nil (2007: Nil) (calculated based on the basis of total bank and other borrowings over total assets).

The Group had limited exposure to fluctuation in exchange rates.

Employee and Share Option Scheme

As at 31st March, 2008, the Group has 501 employees (2007: 485). Total staff costs (including Directors' remuneration) were approximately HK$148.5 million (2007:HK$134.3 million).

To provide incentives or rewards to the staff and Directors (the "Directors" or the "Board"), the Company adopted a share option scheme on 18th January, 2008. No option was granted by the Company under such share option scheme since its adoption and up to 31st March, 2008.

On 18th January, 2008, a total of 7,500,000 share options were granted to two executive Directors of the Company at an exercise price of HK$0.68 per share under the terms of the Pre-IPO Share Option Scheme adopted by a resolution in writing passed by the sole shareholder on 18th January, 2008. No share options were exercised since 18th January, 2008 and up to 31st March, 2008 and accordingly the outstanding share options as at 31st March, 2008 were 7,500,000 share options.

Charge on Assets

None of the Group's assets were pledged as at 31st March, 2007 and 31st March, 2008.

Contingent Liabilities

Certain subsidiaries of the Group were involved in legal proceedings or claims against them in the ordinary course of their business activities during the year. In the opinion of the Directors of the Company, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and no further provision for any potential liability in the consolidated balance sheet is considered necessary.

Other Analysis

Capital Structure

(a) The Company was incorporated in Hong Kong on 8th October, 2007 with an authorised share capital of HK$10,000 divided into 1,000,000 ordinary shares of HK$0.01 each. One ordinary share of HK$0.01 was allotted and issued at nil-paid to the subscriber on 10th October, 2007.

(b) On 18th January, 2008, the authorised share capital of the Company was increased from HK$10,000 to HK$100,000,000 by the creation of an additional 9,999,000,000 ordinary shares of HK$0.01 each.

(c) On 18th January, 2008, as part of the Group Reorganisation, the Company (i) issued to Velba Limited an aggregate of 9,999,999 new ordinary shares of HK$0.01 each credited as fully paid at par, and (ii) credited as fully paid at par for the then existing one share issued at nil-paid on 10th October, 2007 held by Velba Limited as set out in (a) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Merslake Limited held by Top Queen Investments Limited.

(d) On 11th February, 2008, 440,000,000 new ordinary shares of HK$0.01 each were allotted and issued as fully paid at par to the sole shareholder of the Company on the register of members of the Company at the close of business on 18th January, 2008, by way of capitalisation of the sum of HK$4,400,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of placing and public offer of shares as set out in (e) below. For the purpose of preparing the financial statements, these shares were deemed to have been in issue throughout the year ended 31st March, 2008.

(e) On 11th February, 2008, 150,000,000 new ordinary shares of HK$0.01 each were issued by way of placing to professional, institutional and private investors and public offer to the public at a price of HK$0.68 per share. On 12th February, 2008, the Company's shares were listed on the Main Board of the Stock Exchange.

Use of IPO Proceeds from Listing

The net proceeds from the Company's initial public offering amounted to approximately HK$88.55 million. These net proceeds were partially applied during the period from the listing date up to the date of this announcement and such application is consistent with the proposed usage of the net proceeds set forth in the prospectus of the Company dated 29th January, 2008 as follows:

Planned usage	Planned amount HK$'million	For the year ended 31st March, 2008 HK$'million	For the quarter ended 30th June, 2008 HK$'million
Enhancement and enrichment of the contents of the magazines	37.28	0.67	1.50
Promotion and marketing of magazines to readers and advertisers	20.98	1.15	0.97
Strengthening the contents of the Group's existing websites	8.74	0.10	0.90
Upgrading of the Group's existing machineries and equipment thereby improving the efficiency of publication workflow	14.15	0.55	3.31
General working capital	7.40	4.22	–
	88.55	6.69	6.68

New Media Group
Holdings Limited

0708
Annual
Report

Biographies of Directors and Senior Executives

Biographies of Directors and Senior Executives

Executive Directors

Percy Hughes, Shirley, aged 45, is an executive Director and the chief executive officer of the Group. She is responsible for the Group's strategic development and overseeing the operations. She has over 26 years' experience in the media and publishing business. Ms. Shirley Hughes joined the Group in November, 2002. Prior to joining the Group, Ms. Shirley Hughes had worked for Hong Kong Commercial Broadcasting Co., Ltd as freelance program presenter, and program presenter and producer respectively during the period from 1989 to 1994. Afterwards, she was employed as channel manager of Entertainment Channel and then as controller for program development and production under Hong Kong Cable Television Ltd during the period from 1994 to 2002.

Lee Che Keung, Danny, aged 46, is an executive Director of the Group. He has over 27 years' experience in the media business and is responsible for overseeing the sales and marketing function of the Group. Mr. Lee joined the Group in June, 1999. Prior to joining the Group, Mr. Lee had worked for Eat and Travel Weekly Co. Ltd and SCMP Haymarket Publishing Limited as sales Director respectively during the period from 1998 to 1999. In addition, Mr. Lee was employed by Ming Pao Newspaper Ltd as sales Director and Express Management Ltd as sales controller during the period from 1988 to 1997.

Wong Chi Fai, aged 52, is an executive Director of the Group. He is responsible for overall corporate and business planning of the Group. He is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has over 20 years' experience in finance and management spanning a diverse range of businesses from manufacturing to property investment and development. He is a Director of Emperor International Holdings Limited ("EIHL"), Emperor Entertainment Hotel Limited ("EEH") and Emperor Entertainment Group Limited ("EEG") and Emperor Watch & Jewellery Limited ("EWJ"). EIHL, EEH and EWJ are companies listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") whilst EEG is a company listed on the GEM Board of the Stock Exchange. Mr. Wong has been involved in the management of the Group since June, 1999.

Fan Man Seung, Vanessa, aged 45, is an executive Director and the Company Secretary of the Group. She assumes the corporate responsibilities of the Company, including setting overall business strategy and direction and managing the board of Directors of the Company to ensure it functions effectively. She is a lawyer by profession in Hong Kong and a registered accountant. She also holds a Master's Degree in Business Administration. She is also a Director of EIHL, EEH, EEG and EWJ. Ms. Fan has over 15 years of experience in management in various businesses including property investment and development, hotel management and publishing. Ms. Fan has been involved in the management of the Group since June, 1999.

Independent non-executive Directors

Hui Wai Man, Shirley, aged 41, was appointed as an independent non-executive Director on 16th January, 2008. Ms. Hui is a practicing accountant in Hong Kong. She has over 20 years of professional experience in public accounting and corporate finance. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a non-executive Director of Eco-Tek Holdings Limited and an independent non-executive Director of Fortuna International Holdings Limited and Freeman Corporation Limited, all of which are listed public companies in Hong Kong.

Tse Hin Lin Arnold, aged 55, was appointed as an independent non-executive Director on 16th January, 2008. Mr. Tse holds a Bachelor's Degree in Social Science (Statistics and Geography) and also a Law Degree. He had practiced as a barrister in Hong Kong between 1987 and 1988. He was admitted as a solicitor in 1990 and founded his present firm, ATL Law Offices on 1st July, 2008. Mr. Tse practiced commercial and corporate law, including advising on cross-border acquisitions and commercial transactions.

Kwan Shin Luen, Susanna, aged 41, was appointed as an independent non-executive Director on 16th January, 2008. Ms. Kwan is a corporate finance lawyer, qualified in both Hong Kong and the United Kingdom. Ms. Kwan has over 15 years of post qualification experience specialises in corporate finance matters. During the period from 2001 to 2004, Ms. Kwan was in charge of the corporate finance department of Gallant Y.T. Ho & Co. Ms. Kwan is currently the Chief Legal & Planning Officer and the Company Secretary of Hembly International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Directors' Report

Directors' Report

The Directors of the Company present their first report and the audited financial statements of the Company for the year ended 31st March, 2008.

Corporate Reorganisation

The Company was incorporated in Hong Kong as a limited liability company on 8th October, 2007 under the Hong Kong Companies Ordinance (Cap. 32).

Pursuant to a group reorganisation scheme to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 18th January, 2008.

Details of the group reorganisation are set out in note 2 to the financial statements and are more fully explained in the paragraph headed "Statutory and General Information - Corporate Reorganisation" in Appendix V to the Prospectus dated 29th January, 2008 issued by the Company.

The shares of the Company were listed on the Stock Exchange with effect from 12th February, 2008.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 35 to the financial statements.

Results And Appropriation

The results of the Group for the year ended 31st March, 2008 are set out in the consolidated income statement on page 60.

The Directors now recommend the payment of a final dividend of HK1.6 cents per share to the shareholders on the register of members on 28th August, 2008, amounting to HK$9,600,000.

Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 27 to the financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders was HK$11,675,000 as at 31st March, 2008.

Directors and Directors' Service Contracts

The Directors of the Company during the period and up to the date of this report were:

Executive Directors:

Percy Hughes, Shirley *(Chief Executive Officer)*	(appointed on 10th October, 2007)
Lee Che Keung, Danny	(appointed on 10th October, 2007)
Wong Chi Fai	(appointed on 10th October, 2007)
Fan Man Seung, Vanessa	(appointed on 10th October, 2007)

Independent non-executive Directors:

Hui Wai Man, Shirley	(appointed on 16th January, 2008)
Tse Hin Lin, Arnold	(appointed on 16th January, 2008)
Kwan Shin Luen, Susanna	(appointed on 16th January, 2008)

Subject to the service contracts hereinafter mentioned, the term of office of each Director, including the independent non-executive Directors, is the period up to his/her retirement by rotation in accordance with the Articles of Association of the Company.

In accordance with Article 82 of the Company's Articles of Association, Ms. Hui Wai Man, Shirley, Mr. Tse Hin Lin, Arnold and Ms. Kwan Shin Luen, Susanna retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 83(1) of the Company's Articles of Association, Mr. Lee Che Keung, Danny, Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

Each of Ms. Percy Hughes, Shirley ("Ms. Shirley Hughes"), Mr. Lee Che Keung, Danny ("Mr. Danny Lee"), Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, entered into a service agreement with the Company for an initial term of three years commencing from 16th January, 2008 and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Ms. Shirley Hughes also entered into another service agreement with World Sources (HK) Limited ("World Sources (HK)"), an indirect wholly-owned subsidiary of the Company, in relation to her service as the Chief Executive Officer of the Group in connection with the business of the Group, for a term commencing from 1st January, 2008 until terminated by not less than two months notice served by either party on the other.

Directors and Directors' Service Contracts - continued

Mr. Danny Lee also entered into another service agreement with World Sources (HK), in relation to his service as executive Director - Sales and Marketing of the Group in connection with the business of the Group for a term commencing from 1st January, 2008 until terminated by not less than two months notice served by either party on the other.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for a term of three years commencing from 16th January, 2008, with all the terms being renewed automatically for successive term of one year each commencing from the date next after the expiry of the then current term, unless terminated by not less than three months' notice in writing served by either party.

Directors' and Chief Executives' Interests and Short Positions in Securities

As at 31st March, 2008, the interests and short positions of the Directors and chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") of the issued share capital of the Company were as follows:

Long positions in share options of the Company

Name of Director	Capacity	Number of options held	Number of underlying shares
Percy Hughes, Shirley (note)	Beneficial owner	5,000,000	5,000,000
Lee Che Keung, Danny (note)	Beneficial owner	2,500,000	2,500,000

Note: The share options were granted under the Pre-IPO share option scheme of the Company.

Save as disclosed above, as at 31st March, 2008, none of the Directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

Share Options

(a) Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 18th January, 2008. Particulars of the Scheme are set out in note 28 to the financial statements.

No options were granted by the Company under the Share Option Scheme since its adoption.

(b) Pre-IPO Share Option Scheme

The Company has adopted a Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 18th January, 2008 to recognise and reward the contribution of certain Directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the listing of the shares of the Company on the Stock Exchange.

Particulars of the Pre-IPO Share Option Scheme and details of movements in the number of Pre-IPO share options are set out in note 28 to the financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable any Director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

Interests and Short Positions of Substantial Shareholders

As at 31st March, 2008, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

Long positions in ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Approximate holding
Velba Limited ("Velba")	Beneficial owner	450,000,000	75%
Top Queen Investments Limited ("Top Queen") (note)	Interest in a controlled corporation	450,000,000	75%
Profit Noble Holdings Limited ("Profit Noble") (note)	Interest in a controlled corporation	450,000,000	75%
Gain Wealth Investments Limited ("Gain Wealth") (note)	Interest in a controlled corporation	450,000,000	75%
Perpetual Wealth Investments Limited ("Perpetual Wealth") (note)	Trustee	450,000,000	75%
GZ Trust Corporation ("GZ Trust") (note)	Trustee	450,000,000	75%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung") (note)	Founder of the Trust	450,000,000	75%
Ms. Luk Siu Man, Semon (note)	Interest of spouse	450,000,000	75%

Note: The shares were held by Velba. The entire issue share capital of Velba is held by Top Queen. Top Queen is wholly-owned by Profit Noble, which in turn, is wholly-owned by Gain Wealth. By virtue of their corporate interest in Velba, each of Top Queen, Profit Noble and Gain Wealth is deemed to be interested in the shares held by Velba by virtue of the SFO.

The entire issued share capital of Gain Wealth is held by Perpetual Wealth on trust for the A&S Unit Trust. Perpetual Wealth is deemed to be interested in the shares held by Velba by virtue of the SFO.

The A&S Unit Trust is a unit trust under The Albert Yeung Discretionary Trust (the "Trust"), GZ Trust is the trustee of the Trust. GZ Trust is deemed to be interested in the shares held by Velba by virtue of the SFO.

Dr. Albert Yeung, founder of the Trust, is deemed to be interested in the shares held by Velba by virtue of the SFO.

Ms. Luk Siu Man, Semon, spouse of Dr. Albert Yeung, is deemed to be interested in the shares held by Velba by virtue of the SFO.

Save as disclosed above, as at 31st March, 2008, the Directors or chief executives of the Company were not aware of any person or corporation (other than the Directors and chief executives of the Company) who had any interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

Directors' Interests in Contracts of Significance

On 7th January, 2008, Merslake Limited, a wholly-owned subsidiary of the Company, and Mr. Danny Lee entered into a sale and purchase agreement, pursuant to which Merslake Limited acquired the remaining 10% equity interest in Smart Ideal Limited and the entire shareholder's loan of approximately HK$190,000 owing from Smart Ideal Limited to Mr. Danny Lee. The transaction was completed on 12th February, 2008, since then Smart Ideal Limited became a wholly-owned subsidiary of the Company.

Save for the above, there was no contract of significance to which the Company, or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Continuing Connected Transactions

During the year, the Group had the following transactions with connected parties as defined in the Listing Rules:

Name of counterparty	Terms	Amount for the year ended 31st March, 2008 HK$'000
Printing costs paid:		
Hong Kong Daily Offset Printing Company Limited (note 1)	12th February, 2008 to 31st March, 2010	5,400
Advertising income received:		
Emperor International Holdings Limited ("EIHL") (note 2)	12th February, 2008 to 31st March, 2010	621
Emperor Entertainment Hotel Limited ("EEH") (note 3)	12th February, 2008 to 31st March, 2010	116
Emperor Entertainment Group Limited ("EEG") (note 4)	12th February, 2008 to 31st March, 2010	143
Emperor Capital Group Limited (note 5)	12th February, 2008 to 31st March, 2010	66
Gain Wealth (note 6)	12th February, 2008 to 31st March, 2010	596
Emperor Watch & Jewellery (HK) Company Limited (note 7)	12th February, 2008 to 31st March, 2010	545
Emperor International Exchange (Hong Kong) Company Limited (note 8)	12th February, 2008 to 31st March, 2010	71
		2,158

Continuing Connected Transactions - continued

Notes:

(1) Hong Kong Daily Offset Printing Company Limited ("HK Daily Offset") is a wholly-owned subsidiary of Profit Noble, a deemed substantial shareholder of the Company.

(2) As at 31st March, 2008, EIHL was indirectly owned as to 55.64% by the Trust. Accordingly, EIHL is an associate of the Trust, a deemed substantial shareholder of the Company under the Listing Rules.

(3) As at 31st March, 2008, EEH was indirectly owned as to 43.43% by the Trust. Accordingly, EEH is an associate of the Trust, a deemed substantial shareholder of the Company under the Listing Rules.

(4) As at 31st March, 2008, EEG was indirectly owned as to 78.65% by the Trust. Accordingly, EEG is an associate of the Trust, a deemed substantial shareholder of the Company under the Listing Rules.

(5) As at 31st March, 2008, Emperor Capital Group Limited ("ECG") was indirectly owned as to 45.09% by the Trust. Accordingly, ECG is an associate of the Trust, a deemed substantial shareholder of the Company under the Listing Rules.

(6) Gain Wealth is a deemed substantial shareholder of the Company.

(7) As at 31st March, 2008, Emperor Watch & Jewellery (HK) Company Limited was indirectly owned as to 72% by the Trust, a deemed substantial shareholder of the Company under the Listing Rules.

(8) As at 31st March 2008, Emperor International Exchange (Hong Kong) Company Limited ("Emperor International Exchange") was indirectly wholly owned by a discretionary trust set up by Mr. Yeung Lik Shing, Michael, a brother of Dr. Albert Yeung, a deemed substantial shareholder of the Company. Emperor International Exchange is therefore an associate of Dr. Albert Yeung under the Listing Rules.

The engagement of using of the printing services under the printing master purchase agreement dated 28th January, 2008 for a term from 12th February, 2008 to 31st March, 2010 is in the normal ordinary course of business of the Company. The printing charges is to be determined by reference to open market printing charges charged by HK Daily offset for similar printing services and will no less favorable to the Group than those charged to other independent third parties engaging similar printing services.

The engagements of sale of advertising space of the magazines published by the Group under the advertising master purchase agreements dated 28th January, 2008 for a term from 12th February, 2008 to 31st March, 2010 are in the normal ordinary course of business of the Company. The advertising charges by the Group is to be determined with reference to the charge for similar transactions and will be no more favorable to the connected parties than those charged to other independent third parties.

Continuing Connected Transactions - continued

The above continuing connected transactions are exempt from independent shareholders approval requirements under the Listing Rules and the Company has been granted a waiver by the Stock Exchange on 21st January, 2008 from strict compliance with the announcement requirements under the Listing Rules.

Subsequent to the balance sheet date, the Company has revised the annual caps for the Advertising Master Purchase Agreements for the three years ended / ending 31st March, 2010 as follows :

	Revised Annual Caps For the year ending 31 March,					
	2008 HK$		2009 HK$		2010 HK$	
EIHL	1,000,000	(note)	1,000,000	(note)	1,000,000	(note)
EEH	116,000		500,000		500,000	
EEG	200,000	(note)	500,000		500,000	
ECG	66,000		200,000		200,000	
Gain Wealth	1,100,000	(note)	1,600,000		1,600,000	
Emperor Watch & Jewellery (HK) Company Limited	600,000	(note)	1,400,000		1,400,000	
Emperor International Exchange	110,000	(note)	400,000		400,000	
Aggregate Annual Caps	3,192,000		5,600,000		5,600,000	

Note : These annual caps for the continuing connected transactions with the above relevant parties under the Advertising Master Purchasing Agreements remain unchanged.

The Directors of the Company considered that (1) the printing services mentioned above would enhance the efficiency of the daily operation of the Group; (2) the magazines published by the group are ones among the leading magazines in Hong Kong and that the advertising income was in the ordinary course of business of the Group.

The Directors of the Company engaged the auditor of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The procedures were performed solely to assist the Directors of the Company to evaluate in accordance with Rule 14A.38 of the Listing Rules, whether the continuing connected transactions entered into by the Group for the year ended 31st March, 2008:

(a) have received the approval of the Board of Directors of the Company;

(b) have been entered into in accordance with the terms of the relevant agreement governing such transactions;

(c) have not exceeded the relevant cap amount for the financial year ended 31st March, 2008 disclosed in the Company's prospectus dated 29th January, 2008; and

(d) have been entered into in accordance with the pricing policies of the Company with reference to similar transactions with independent third parties.

The independent non-executive Directors have reviewed the continuing connected transactions and the report of the auditor and have confirmed that the transactions were entered into by the Company in the ordinary course of its business, on normal commercial terms, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Save as disclosed above, no contracts of significance to which the Company, or any of its holding companies, fellow subsidiaries and subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

During the year, sales to the five largest customers of the Group accounted for approximately 45.9% of the turnover of the Group. The largest customer of the Group, being the distributor of the magazines published by the Group, accounted for approximately 28.7% of the Group's turnover.

The five largest suppliers contributed to approximately 26.2% of the direct operating costs of the Group during the year. The largest supplier of the Group, being the printer of the magazines published by the Group, accounted for approximately 10.4% of the Group's total direct operating costs.

HK Daily Offset is one of the five largest suppliers of the Group during the year. HK Daily Offset is a wholly-owned subsidiary of Profit Noble which is a deemed substantial shareholder of the Company.

Save as disclosed above, none of the Directors of the Company, their associates or any shareholders which, to the knowledge of the Directors of the Company, owns more than 5% of the Company's issued share capital, has a beneficial interest in the share capital of any of the above major customers and suppliers of the Group.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Confirmation of Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Listing Rules on the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on page 52 to 55.

Sufficiency of Public Float

The Company has maintained a sufficient public float under the Listing Rules from the date of listing to 31st March, 2008.

Management Contracts

No contracts for the management and administration of the whole or any substantial part of the business of the Group were entered or subsisted during the year.

Emolument Policy

The emolument policy of the Group to reward its employees and Directors is based on their performance, qualifications, competence displayed, market comparables and the performance of the Group. Remuneration packages and bonus typically comprises salary, housing allowances, contribution to pension schemes and bonus relating to the profit of the relevant company. Upon and after the listing of the Company's shares, the remuneration package has been extended to include share options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme adopted by the Company on 18th January, 2008, details of the scheme are set out in note 28 to the financial statements. The Remuneration Committee will regularly review and determine from time to time the remuneration and compensation of the Directors and the senior management of the Group.

Donations

During the year, the Group made charitable donation amounting to HK$1,059,000.

Auditor

These financial statements were audited by Messrs. Deloitte Touche Tohmatsu since its incorporation.

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint them as auditor of the Company and authorise the Directors to fix their remuneration.

On behalf of the Board

Percy Hughes, Shirley
Chief Executive Officer

Hong Kong

22nd July, 2008

New Media Group Holdings Limited

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Corporate Governance Report

Corporate Governance Report

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited in February, 2008. The Company has adopted various policies for the purpose to ensure compliance with all provisions of the Code on Corporate Governance Practice (the "Code") under Appendix 14 of the Listing Rules.

The Board

Board composition

The Board is committed to maintaining corporate governance and effective accountability mechanisms in every aspect of its business. Conducting business in a socially responsible and honest manner serves both the Group's and its shareholders' long-term interests.

As at 31st March, 2008, the Board comprised seven Directors (four Executive Directors of which one is the Chief Executive Officer and three Independent non-executive Directors) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The Independent Non-executive Directors will also share their valuable impartial view on matters to be discussed on the Board meetings. The biographies of the Directors are set out on pages 34 to 35 of this report under the "Biographies of Directors and Senior Executives" section.

An induction of their duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group has been provided to all Directors shortly after their acceptance of appointments as Directors of the Company.

A procedure has been approved by the Board to enable Directors to seek independent professional advice at the Company's expenses in appropriate circumstances.

Management functions

Currently, the Board has appointed Ms. Percy Hughes, Shirley as the Chief Executive Officer of the Company, who is responsible for the Group's strategic development and overseeing operations, while Ms. Fan Man Seung, Vanessa assumes the corporate responsibilities that are typically taken up by a company's chairman, including but not limited to setting overall business strategy and direction and managing the board of Director of a company. Ms. Fan Man Seung, Vanessa would also assume the responsibilities imposed on a company's chairman by the Code on Corporate Governance Practices of the Listing Rules.

The experienced management team implements the decisions from the Board, manages the businesses of the Group within the delegated power and authority by the Board and proposes management and investment proposals for the Board to approve. The team assumes full accountability to the Board for the operations of the Group.

Directors/senior management's securities transactions

The Company has adopted a code of conduct regarding securities transactions by Directors and senior executives on no less terms than the required standard of dealings set out in Appendix 10 of the Listing Rules prior to the listing of its shares on The Stock Exchange of Hong Kong Limited. Having made specific enquiry to all Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct.

Independent Non-executive Directors

The Independent Non-executive Directors are appointed for a term of three years, with all the terms being renewed automatically for successive terms of one year each commencing from the date next after the expiry of the then current terms, unless terminated by not less than three months' notice in writing served by either party. Pursuant to the Articles of Association of the Company, every Director shall be subject to retirement by rotation at least once every three years in order to comply with the requirement of the Code.

The Company has received a confirmation of independence from each of the Independent Non-executive Directors. The Board considers each of them to be independent by reference to the factors stated in the Listing Rules. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

Board Meetings

The Board held one full board meeting during the year ended 31st March, 2008 with the attendance of all the Directors.

Delegation by the Board

To assist the Board in execution of its duties and facilitate effective management, certain functions of the Board have been delegated by the Board to the Audit Committee and Remuneration Committee. The Board set up both of the Audit Committee and Remuneration Committee on 16th January, 2008. The members of the Committees consist mainly of Independent Non-executive Directors. Clear written terms of reference are given to these two Committees and details of these two Committees are set out in the paragraphs "Audit Committee" and "Remuneration Committee" below. The Company has not established any nomination committee.

1. Remuneration Committee

The Remuneration Committee comprises an Executive Director, Mr. Wong Chi Fai (chairman of the Committee), and two Independent Non-Executive Directors, namely Mr. Tse Hin Lin, Arnold and Ms. Kwan Shin Luen, Susanna. The primary duties of the Remuneration Committee include making recommendation to the Board on the Company's policy and structure for the remuneration of Directors and senior management and determining the specific remuneration package for all executive Directors. Details of the remuneration of each of the Directors for the year ended 31st March, 2008 are set out in note 11 to the financial statements. The terms of reference of the Remuneration Committee which were adopted on 16th January, 2008 are available in the Company's website: www.nmg.com.hk. No meeting of the Remuneration Committee has been held during the year ended 31st March, 2008.

2. Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Ms. Hui Wai Man, Shirley (chairperson of the Committee), Mr. Tse Hin Lin, Arnold and Ms. Kwan Shin Luen, Susanna. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures. The terms of reference of the Audit Committee which were adopted on 16th January, 2008 are available in the Company's website: www.nmg.com.hk. The Audit Committee held one meeting during the year ended 31st March, 2008 to approve the 2008 audit plan and the engagement of external auditors. All the committee members have attended the meeting.

Accountability and Audit

The Directors acknowledge that it is their responsibility to prepare the accounts of the Group and other financial disclosures required under the Listing Rules and the management will provide information and explanation to the Board to enable it to make an informed assessment of the financial and other Board decisions.

Internal Control

The internal control system has been designed to safeguard the assets of the Company, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. They have carried out an annual review of the implemented system and procedures, including areas covered financial, operational and legal compliance controls and risk management functions. The internal control system is implemented to minimise the risks to which the Group is exposed and used as a management tool for the day-to-day operation of business. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board is responsible for the system of internal control and reviewing its effectiveness. For the year under review, the Board considered that the Company's internal control system is adequate and effective and the Company has complied with the code provisions on internal control of the Code.

Communication with Shareholders

The Company communicates with the shareholders mainly in the following ways: (i) the holding of annual general meetings which provide an opportunity for the shareholders to communicate directly to the Board; (ii) the publication of announcements, annual reports, interim reports and/or circulars as required under the Listing Rules and press releases of the Company providing updated information of the Group; and (iii) the availability of latest information of the Group in our website; and (iv) the holding of press conference from time to time. There is regular dialogue with institutional shareholders and general presentations are made when financial results are announced. Shareholders and investors are welcome to visit the Company's website and raise enquires through our Investor Relations Department whose contact details are available on the website.

Auditor's Remuneration

During the year under review, the remuneration paid to the Company's auditor, Messrs. Deloitte Touche Tohmatsu, is set out as follows:-

Service rendered	Fees paid/payable HK$'000
Audit services	1,226
Non-audit services – Acted as reporting accountants for IPO	2,965

New Media Group
Holdings Limited
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Annual
Report

Financial Statements

Independent Auditor's Report

To the Members of New Media Group Holdings Limited
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of New Media Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 60 to 109, which comprise the consolidated and the Company balance sheets as at 31st March, 2008, and the consolidated income statement, the consolidated statement of changes in equity 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 consolidated 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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 the consolidated 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 and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 state of affairs of the Company and of the Group as at 31st March, 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22nd July, 2008

Consolidated Income Statement

For the year ended 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	9	**452,373**	390,554
Direct operating costs		**(303,699)**	(276,302)
Gross profit		**148,674**	114,252
Other income		**1,529**	2,130
Selling and distribution costs		**(62,893)**	(55,731)
Administrative expenses		**(47,677)**	(35,693)
Interest on obligations under finance leases		**–**	(11)
Profit before taxation	10	**39,633**	24,947
Taxation (charge) credit	12	**(8,459)**	6,221
Profit for the year		**31,174**	31,168
Earnings per share – Basic	14	**HK cents 6.63**	HK cents 6.93

Consolidated Balance Sheet

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment	15	**14,581**	18,055
Intangible assets	16	**4,102**	5,070
Goodwill	17	**695**	695
Deferred taxation assets	19	**–**	6,022
		19,378	29,842
Current assets			
Inventories	20	**6,543**	1,049
Trade and other receivables	21	**79,108**	64,161
Taxation recoverable		**–**	242
Bank balances and cash	23	**117,022**	12,093
		202,673	77,545
Current liabilities			
Trade and other payables	24	**71,490**	64,933
Amount due to former immediate holding company	25	**–**	16,524
Amount due to former minority shareholder of a subsidiary	26	**–**	190
Taxation payable		**934**	–
Bank overdrafts		**–**	2
		72,424	81,649
Net current assets (liabilities)		**130,249**	(4,104)
Total assets less current liabilities		**149,627**	25,738
Non-current liabilities			
Deferred taxation liabilities	19	**810**	–
Net assets		**148,817**	25,738

Consolidated Balance Sheet

At 31st March, 2008

	Notes	2008 HK$'000	2007 HK$'000
Capital and reserves			
Share capital	27	**6,000**	800
Reserves	29	**142,817**	24,938
Total equity		**148,817**	25,738

The consolidated financial statements on pages 60 to 109 were approved and authorised for issue by the Board of Directors on 22nd July, 2008 and are signed on its behalf by:

Percy Hughes, Shirley
DIRECTOR

Lee Che Keung, Danny
DIRECTOR

Balance Sheet

At 31st March, 2008

	Notes	2008 HK$'000
Non-current assets		
Investments in subsidiaries	18	**72,220**
Current assets		
Amounts due from subsidiaries	22	**109,397**
Bank balances	23	**7**
		109,404
Current liabilities		
Accrued charges		**925**
Net current assets		**108,479**
Net assets		**180,699**
Capital and reserves		
Share capital	27	**6,000**
Reserves	29	**174,699**
Shareholders' funds		**180,699**

Percy Hughes, Shirley
DIRECTOR

Lee Che Keung, Danny
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31st March, 2008

	Share capital HK$'000	Share premium HK$'000 (Note 29(a))	Special reserve HK$'000 (Note 29(b))	Capital contribution reserve HK$'000 (Note 29(c))	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April, 2006	800	–	–	695	–	(96,925)	(95,430)
Profit for the year and total recognised income for the year	–	–	–	–	–	31,168	31,168
Capitalisation of amount due to former immediate holding company	–	90,000	–	–	–	–	90,000
At 31st March, 2007 and 1st April, 2007	800	90,000	–	695	–	(65,757)	25,738
Profit for the year and total recognised income for the year	–	–	–	–	–	31,174	31,174
Deemed capital contribution from former immediate holding company	–	–	–	101	–	–	101
Dividends paid by subsidiaries to their then shareholders prior to the Group Reorganisation	–	–	–	–	–	(5,000)	(5,000)
Issue of shares by the Company at nil-paid and credited as fully paid on the Group Reorganisation	100	–	–	–	–	–	100
Elimination on the Group Reorganisation	(800)	(90,000)	90,700	–	–	–	(100)
Issue of shares by way of placing and public offer	1,500	100,500	–	–	–	–	102,000
Expenses incurred in connection with the issue of new shares of the Company	–	(5,681)	–	–	–	–	(5,681)
Capitalisation issue	4,400	(4,400)	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	485	–	485
At 31st March, 2008	6,000	90,419	90,700	796	485	(39,583)	148,817

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
Profit before taxation	39,633	24,947
Adjustments for:		
Interest income	(542)	(303)
Interest expenses	–	11
Depreciation of property, plant and equipment	6,638	6,075
Amortisation of intangible assets	968	968
Share-based payments expense	485	–
Loss on disposal of property, plant and equipment	629	1,458
Allowance for bad and doubtful debts	590	502
Waive of amount due to former minority shareholder of a subsidiary	(190)	–
Operating cash flows before movements in working capital	48,211	33,658
(Increase) decrease in inventories	(5,494)	3
Increase in trade and other receivables	(15,537)	(1,586)
Increase in trade and other payables	6,557	5,199
Net cash generated from operations	33,737	37,274
Hong Kong Profits Tax paid	(451)	(1,441)
Net cash from operating activities	33,286	35,833
Cash flows from investing activities		
Interest received	542	303
Proceeds on disposal of property, plant and equipment	190	154
Purchase of property, plant and equipment	(3,983)	(17,354)
Purchase of intangible assets	–	(90)
Net cash used in investing activities	(3,251)	(16,987)

Consolidated Cash Flow Statements

For the year ended 31st March, 2008

	2008 HK$'000	2007 HK$'000
Cash flows from financing activities		
Proceeds from issue of new shares	**102,000**	–
Repayment to group companies	**(16,423)**	(24,082)
Expenses paid in connection with the issue of new shares	**(5,681)**	–
Dividends paid by subsidiaries to their then shareholders prior to the Group Reorganisation	**(5,000)**	–
Repayment of obligations under finance leases	**–**	(408)
Interest paid on obligations under finance leases	**–**	(11)
Net cash from (used in) financing activities	**74,896**	(24,501)
Net increase (decrease) in cash and cash equivalents	**104,931**	(5,655)
Cash and cash equivalents at beginning of the year	**12,091**	17,746
Cash and cash equivalents at end of the year	**117,022**	12,091
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**117,022**	12,093
Bank overdrafts	**–**	(2)
	117,022	12,091

1. General

The Company was incorporated in Hong Kong as a limited liability company on 8th October, 2007 under the Hong Kong Companies Ordinance (Cap.32) and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12th February, 2008. The immediate and ultimate holding company of the Company are Velba Limited ("Velba") and Gain Wealth Investments Limited respectively, both companies are limited liability companies incorporated in British Virgin Islands (the "BVI"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 35.

2. Group Reorganisation and Basis of Presentation of Financial Statements

Under a group reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 18th January, 2008.

Details of the Group Reorganisation are set out in the paragraph headed "Statutory and General Information – Corporate Reorganisation" in Appendix V to the prospectus dated 29th January, 2008 issued by the Company.

The Group resulting from the Group Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared in accordance with accounting policies as set out in note 4.

Notes to the Financial Statements

For the year ended 31st March, 2008

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRS"s)

The Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new HKFRS, amendment of Hong Kong Accounting Standard ("HKAS") and Interpretations ("INT"s) (hereinafter collectively referred to as "new HKFRSs") which are effective for the Group's financial year beginning on 1st April, 2007. The Group has applied the new HKFRSs since the financial year beginning on 1st April, 2004. The early adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the prior accounting periods have been prepared and presented.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 12	Service concession arrangements[3]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009.
3 Effective for annual periods beginning on or after 1st January, 2008.
4 Effective for annual periods beginning on or after 1st July, 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control which will be accounted for as equity transactions.

The Directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

4. Significant Accounting Policies

The financial statements have been prepared under the historical cost basis and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired (excluding those in which merger accounting applied) or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Acquisition of additional interests of subsidiaries that did not result in change in control does not fall within the definition of business combination under HKFRS 3 "Business combinations". The excess of the cost of acquisition over the carrying amount of assets and liabilities of the subsidiary attributable to the additional interest acquired is recognised as goodwill.

Common control combinations

The consolidated financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

Notes to the Financial Statements

For the year ended 31st March, 2008

4. Significant Accounting Policies – continued

Common control combinations – continued

The consolidated income statements includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities had been combined at the previous balance sheet date or when they first come under common control, which is the shorter.

Goodwill

Capitalised goodwill arising on acquisition of additional interest of a subsidiary is presented separately in the consolidated balance sheet.

For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at deemed cost less any identified impairment loss. The deemed cost represent the carrying amounts of consolidated net assets of the subsidiaries at the date on which they were transferred to the Company at the time of the Group Reorganisation.

4. Significant Accounting Policies – continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business and net of discount.

Revenue from circulation represents sales of magazines and books, which is recognised when the publication are delivered and title has passed.

Advertising income is recognised upon the publication of the edition in which the advertisement is placed.

Revenue from the provision of magazine content is recognised on a straight line basis over the relevant contract period.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and any identified impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Notes to the Financial Statements

For the year ended 31st March, 2008

4. Significant Accounting Policies – continued

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Intangible assets

Intangible assets are initially measured at cost. Intangible assets with finite useful lives are carried at cost less subsequent accumulated amortisation and any identified impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Impairment (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. Significant Accounting Policies – continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

4. Significant Accounting Policies – continued

Financial instruments – continued

Impairment of financial assets

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

The carrying amount is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4. Significant Accounting Policies – continued

Financial instruments – continued

Financial liabilities and equity – *continued*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables and amount due to former immediate holding company/former minority shareholder of a subsidiary and bank overdrafts, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded on the proceeds received, net of direct issued costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

Notes to the Financial Statements

For the year ended 31st March, 2008

4. Significant Accounting Policies – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred taxation liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Retirement benefit costs

Payments to the Group's Mandatory Provident Fund Scheme which is a defined contribution retirement benefit plan are charged as expenses when employees have rendered service entitling them to the contributions.

4. Significant Accounting Policies – continued

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated profits.

5. Key Sources of Estimation Uncertainty

The following are 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.

Estimation of useful lives of intangible assets

The Directors of the Company determines the useful lives of intangible assets and reviews the amortisation period on an annual basis. This requires an estimation of the number of years that future economic benefits can be generated by the intangible assets taking into account the expected changes in the market demand for the products or services output from the intangible assets and the expected actions by competitors or potential competitors.

Allowance for trade receivables

Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss when there is objective evidence that the asset is impaired.

Notes to the Financial Statements

For the year ended 31st March, 2008

5. Key Sources of Estimation Uncertainty – continued

Allowance for trade receivables – continued

In making the judgment, management considered the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. In determining whether allowance for bad and doubtful debts is required, the Company takes into consideration the ageing status and the likelihood of collection. Specific allowance is only made for trade receivables that are unlikely to be collected. In this regard, as at 31st March, 2008, management is satisfied that the allowance for bad and doubtful debts made by the Group amounting to HK$584,000 (2007: HK$785,000) is adequate (note 21).

6. Financial Instruments

(a) Categories of financial instruments

The following table sets out in the financial instruments as at the balance sheet date:

	The Group 2008 HK$'000	The Group 2007 HK$'000	The Company 2008 HK$'000
Financial assets			
Loans and receivables (including cash and cash equivalents)	**193,332**	73,052	**109,404**
Financial liabilities			
Amortised cost	**46,829**	62,735	**–**

6. Financial Instruments – continued

(b) Financial risk management objectives and policies

The Group

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to former immediate holding company/former minority shareholder of a subsidiary and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company

The Company's major financial instrument is amounts due from subsidiaries. The Directors of the Company consider the risk associated with this instrument is minimal.

(c) Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cashflows. The management considers the Group does not expose to significant foreign currency risk as majority of its operations and transactions are in Hong Kong and denominated in Hong Kong dollars.

6. Financial Instruments – continued

(d) Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the balance sheet date in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the respective balance sheet.

The Group

In order to minimise the credit risk, the management of the Group monitor the level of exposure to ensure that follow-up actions are taken to recover overdue debts. In addition, the management of the Group reviews the recoverability of each trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as the Group's trade receivables as at 31st March, 2008 of approximately HK$35,280,000 (2007: HK$18,593,000) were derived from a few major customers. In order to minimise the credit risk, the Directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk for the remaining trade receivables, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk on liquid funds which are deposited with several banks. However, the credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and with good reputation.

The Company

The Company has concentration of credit risk on amounts due from subsidiaries. However, the Company's credit risk is limited because the counterparties are subsidiaries with positive operating cash flow position.

6. Financial Instruments – continued

(e) Liquidity risk management

The Board of Directors of the Company has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and by continuously monitoring forecast and actual cash flows, and the maturity profiles of financial liabilities. In the past, the Group relied on the financial support of the former immediate holding company.

At the balance sheet date, all the Group's non-derivative financial liabilities are interest-free and their remaining contractual maturities are on demand or repayable within 90 days.

(f) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

7. Capital Risk Management

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in the financial statements. At 31st March, 2008, no external debts are raised by the Group.

The Directors of the Company reviews the capital structure on an on-going basis. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital, payment of dividends, new share issues as well as the raise of new debts.

Notes to the Financial Statements

For the year ended 31st March, 2008

8. Business and Geographical Segments

Business segment

The Group's operation is regarded as a single segment, being engaged in the magazine publishing business.

Geographical segment

All of the Group's assets and liabilities are substantially located in Hong Kong and all of the activities of the Group and geographical market for both years are substantially based in Hong Kong. Accordingly, no geographical segment information is presented.

9. Turnover

Turnover represents the net amounts received and receivable from circulation income, advertising income and provision of magazine content during the year. An analysis of the Group's turnover for the year is as follow:

	2008 HK$'000	2007 HK$'000
Circulation income	**140,108**	125,334
Advertising income	**308,468**	263,112
Provision of magazine content	**3,797**	2,108
	452,373	390,554

10. Profit before Taxation

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' emoluments (note 11)		
– fees	**177**	–
– retirement benefits scheme contributions	**24**	24
– other emoluments	**8,164**	5,255
	8,365	5,279
Other staff's retirement benefits scheme contributions	**4,484**	4,361
Other staff costs	**135,612**	124,667
	148,461	134,307
Allowance for bad and doubtful debts	**590**	502
Amortisation of intangible assets (included in direct operating costs)	**968**	968
Auditor's remuneration	**1,226**	680
Depreciation		
– owned by the Group	**6,638**	5,963
– held under finance leases	**–**	112
Expenses incurred in connection with listing exercise of the Group (included in administrative expenses)	**7,770**	–
Loss on disposal of property, plant and equipment	**629**	1,458
Operating lease rentals for rented premises	**2,881**	5,947
and after crediting:		
Interest income	**542**	303
Waive of amount due to former minority shareholder of a subsidiary	**190**	–

Notes to the Financial Statements

For the year ended 31st March, 2008

11. Directors' and Employees' Emoluments

Directors' emoluments

Details of the emoluments paid or payable to the Directors of the Company are as follows:

	Year ended 31st March, 2008							
	Percy Hughes, Shirley HK$'000	Lee Che Keung, Danny HK$'000	Wong Chi Fai HK$'000	Fan Man Seung, Vanessa HK$'000	Hui Wai Man, Shirley HK$'000	Tse Hin Lin, Arnold HK$'000	Kwan Shin Luen, Susanna HK$'000	Total HK$'000
Fees	**21**	**21**	**21**	**21**	**31**	**31**	**31**	**177**
Other emoluments								
– salaries and other allowances	**1,980**	**1,530**	**-**	**-**	**-**	**-**	**-**	**3,510**
– bonus	**2,318**	**1,851**	**-**	**-**	**-**	**-**	**-**	**4,169**
– retirement benefits scheme contributions	**12**	**12**	**-**	**-**	**-**	**-**	**-**	**24**
– share-based payments	**323**	**162**	**-**	**-**	**-**	**-**	**-**	**485**
Total emoluments	**4,654**	**3,576**	**21**	**21**	**31**	**31**	**31**	**8,365**

11. Directors' and Employees' Emoluments – continued

	Year ended 31st March, 2007		
	Percy Hughes, Shirley HK$'000	Lee Che Keung, Danny HK$'000	Total HK$'000
Fees	–	–	–
Other emoluments			
– salaries and other allowances	1,800	1,320	3,120
– bonus	1,174	961	2,135
– retirement benefits scheme contributions	12	12	24
Total emoluments	2,986	2,293	5,279

No emoluments were paid to independent non-executive Directors during the year ended 31st March, 2007. Moreover, the two executive Directors, namely Wong Chi Fai and Fan Man Seung, Vanessa had no emoluments during the year ended 31st March, 2007 since both of them did not hold any employment with the Group.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2007: two) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2007: three) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**6,922**	3,204
Contributions to retirement benefits scheme	**36**	36
	6,958	3,240

11. Directors' and Employees' Emoluments – continued

Employees' emoluments – continued

Their emoluments were within the following bands:

	2008 HK$'000	2007 HK$'000
Nil to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	1
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–

No emoluments have been paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors waived any emoluments during both years.

12. Taxation Charge (Credit)

	2008 HK$'000	2007 HK$'000
The charge (credit) comprises:		
Current tax		
Hong Kong Profits Tax	**1,627**	156
Deferred taxation charge (credit) (note 19)	**6,832**	(6,377)
	8,459	(6,221)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year.

12. Taxation Charge (Credit) – continued

The taxation charge (credit) for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	**39,633**	24,947
Tax at Hong Kong Profits Tax rate of 17.5%	**6,936**	4,366
Tax effect of expenses not deductible for tax purpose	**1,542**	17
Tax effect of income not assessable for tax purpose	**(165)**	(76)
Tax effect of tax losses not recognised	**61**	120
Utilisation of tax losses previously not recognised	**–**	(10,502)
Others	**85**	(146)
Taxation charge (credit) for the year	**8,459**	(6,221)

13. Dividends

No dividend has been paid or declared by the Company since its incorporation and up to the year ended 31st March, 2008.

During the year ended 31st March, 2008, Wide Connection Limited ("Wide Connection") and World Sources (HK) Limited ("World Sources (HK)"), the subsidiaries of the Company, paid special interim dividends for the year ended 31st March, 2008 of HK$2,000,000 and HK$3,000,000 respectively, to their then shareholders prior to the Group Reorganisation which took place in January, 2008.

A final dividend for the year ended 31st March, 2008 of HK1.6 cents per share has been proposed by the Directors and is subject to approval by the shareholders in forthcoming annual general meeting.

Notes to the Financial Statements

For the year ended 31st March, 2008

14. Earnings Per Share

The calculation of basic earnings per share is based on the profit for the year of HK$31,174,000 (2007: HK$31,168,000) and the weighted average of 470,491,803 shares (2007: 450,000,000 shares) that would have been in issue throughout the year.

The 450,000,000 shares that were issued prior to the listing of the Company's shares on the Stock Exchange on 12th February, 2008 and pursuant to the Group Reorganisation are treated as if they had been in issue throughout both years.

No diluted earnings per share has been presented in respect of the Company's potential dilutive ordinary shares as the exercise price of the share options of the Company is higher than the average market price for the Company's shares for the year ended 31st March, 2008.

There were no potential dilutive ordinary shares outstanding during the year ended 31st March, 2007.

15. Property, Plant and Equipment

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
The Group				
COST				
At 1st April, 2006	4,925	9,569	18,967	33,461
Additions	6,728	3,352	7,274	17,354
Disposals	(3,000)	(2,325)	(1,779)	(7,104)
At 31st March, 2007	8,653	10,596	24,462	43,711
Additions	209	477	3,297	3,983
Disposals	(886)	(183)	(762)	(1,831)
At 31st March, 2008	7,976	10,890	26,997	45,863

15. Property, Plant and Equipment – continued

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
DEPRECIATION				
At 1st April, 2006	4,243	6,034	14,796	25,073
Provided for the year	949	1,209	3,917	6,075
Eliminated on disposal	(2,671)	(1,520)	(1,301)	(5,492)
At 31st March, 2007	2,521	5,723	17,412	25,656
Provided for the year	1,110	2,407	3,121	6,638
Eliminated on disposal	(201)	(88)	(723)	(1,012)
At 31st March, 2008	3,430	8,042	19,810	31,282
CARRYING VALUES				
At 31st March, 2008	4,546	2,848	7,187	14,581
At 31st March, 2007	6,132	4,873	7,050	18,055

The above items of property, plant and equipment are depreciated on a straight line basis over the following periods:

Leasehold improvements	Over the unexpired term of the relevant lease
Machinery and equipment	5 years
Furniture, fixtures and office equipment	3 to 5 years

Notes to the Financial Statements

For the year ended 31st March, 2008

16. Intangible Assets

	Publishing library HK$'000	Copyrights in photographs and articles HK$'000	Total HK$'000
The Group			
COST			
At 1st April, 2006	34,600	6,620	41,220
Additions	90	–	90
At 31st March, 2007 and 31st March, 2008	34,690	6,620	41,310
AMORTISATION			
At 1st April, 2006	30,870	4,402	35,272
Charge for the year	564	404	968
At 31st March, 2007	31,434	4,806	36,240
Charge for the year	564	404	968
At 31st March, 2008	31,998	5,210	37,208
CARRYING VALUES			
At 31st March, 2008	2,692	1,410	4,102
At 31st March, 2007	3,256	1,814	5,070

The above intangible assets are amortised on a straight line basis over the estimated useful lives of 10 years.

17. Goodwill

	HK$'000
The Group	
At 1st April, 2006, 31st March, 2007 and 31st March, 2008	695

The goodwill is allocated to the cash generating unit ("CGU") of the magazine operated by Smart Ideal Limited ("Smart Ideal").

The Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next 2 years approved by management using the discount rate of 10% (2007: 10%) which reflects current market assessments of the time value of money and the risks specific to the CGU. For the purpose of impairment testing, the cash flows beyond the 2-year-period are extrapolated for 3 years using a constant growth rate of 1.5% (2007: 1.5%) per annum. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. No impairment of goodwill is considered necessary.

Management of the Group determines that there was no impairment of CGU containing goodwill at the balance sheet date.

18. Investments in Subsidiaries

	The Company 2008 HK$'000
Unlisted investments	**72,220**

Particulars of the subsidiaries of the Company as at the 31st March, 2008 are set out in note 35.

19. Deferred Taxation

The following are the major deferred taxation liabilities and (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
The Group			
At 1st April, 2006	1,218	(863)	355
Charge (credit) to consolidated income statement for the year	366	(6,743)	(6,377)
At 31st March, 2007 and 1st April, 2007	1,584	(7,606)	(6,022)
(Credit) charge to consolidated income statement for the year	(448)	7,280	6,832
At 31st March, 2008	1,136	(326)	810

For the purpose of balance sheet presentation, deferred taxation assets and liabilities have been offset.

At 31st March, 2008, the Group has unused tax losses of approximately HK$29,609,000 (2007: HK$70,860,000) available for offset against future profits. A deferred taxation asset has been recognised in respect of approximately HK$1,865,000 (2007: HK$43,463,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK$27,744,000 (2007: HK$27,397,000) due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the year or at the balance sheet date.

20. Inventories

	The Group 2008 HK$'000	The Group 2007 HK$'000
Printing papers	**5,590**	495
Books	**953**	554
	6,543	1,049

All inventories were stated at cost.

21. Trade and Other Receivables

	The Group 2008 HK$'000	The Group 2007 HK$'000
Trade receivables from		
– third parties	**72,942**	58,460
– related companies	**697**	288
	73,639	58,748
Prepayment and deposits	**5,469**	5,413
	79,108	64,161

The related companies are companies owned by The Albert Yeung Discretionary Trust (the "Trust") (of which Dr. Yeung Sau Shing, Albert is the founder), a controlling shareholder of the Company.

The Group normally grants credit terms of 30 days to 120 days to its customers with reference to their historical payment records and business relationship. Settlement of the sales from circulation income from magazines shall be made by the distributor to the Company within 10 days after the verification of the quantity of magazines sold. Credit limit and outstanding balance from advertising income will be reviewed by the management once a month.

Notes to the Financial Statements

For the year ended 31st March, 2008

21. Trade and Other Receivables – continued

The following is an aged analysis of trade receivables at the reporting date:

	The Group 2008 HK$'000	2007 HK$'000
Age		
0 – 30 days	**65,320**	49,298
31 – 90 days	**7,060**	7,083
91 – 180 days	**1,196**	1,912
Over 180 days	**63**	455
	73,639	58,748

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately HK$23,484,000 (2007: HK$16,807,000), which are past due at the balance sheet date for which the Group has not provided allowance as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The ageing of trade receivables which are past due but not impaired at the reporting date is less than 181 days (2007: less than 365 days). The average age of these receivables is 59 days (2007: 62 days).

21. Trade and Other Receivables – continued

Movement in the allowance for bad and doubtful debts

	The Group 2008 HK$'000	2007 HK$'000
Balance at beginning of the year	**785**	874
Trade receivables written off	**(791)**	(591)
Increase in allowance charged to consolidated income statement	**590**	502
Balance at end of the year	**584**	785

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The Directors believe that there is no further allowance required in excess of the current amount of allowance for doubtful debts.

22. Amounts Due from Subsidiaries

The Company

The amounts are unsecured, interest-free and repayable on demand. In the opinion of the Directors, repayment of amounts will be demanded in the next twelve months after the balance sheet date, as a result, the amounts are classified as current assets.

23. Bank Balances and Cash

The Group and the Company

Bank balances and cash of the Group and the Company comprises cash on hand and short-term bank deposits with original maturity of three months or less carry interest at market rates ranging from 0.01% to 2.48% (2007: 2.25% to 2.50%) and 0.01% (2007: nil) per annum, respectively.

24. Trade and Other Payables

	The Group	
	2008	2007
	HK$'000	HK$'000
Trade payables to		
– third parties	**44,942**	44,991
– related companies	**1,887**	18
– fellow subsidiaries	**–**	1,010
	46,829	46,019
Accrued charges	**24,661**	18,914
	71,490	64,933

The related companies are companies owned by the Trust, a controlling shareholder of the Company.

24. Trade and Other Payables – continued

The Group normally receives credit terms of 60 days to 90 days from its suppliers. The following is an aged analysis of trade payables at the reporting date:

	The Group 2008 HK$'000	The Group 2007 HK$'000
Age		
0 – 90 days	**45,661**	44,040
91 – 180 days	**1,002**	1,823
Over 180 days	**166**	156
	46,829	46,019

25. Amount Due to Former Immediate Holding Company

The Group

The amount was due to former immediate holding company, Top Queen Investments Limited ("Top Queen"). It was unsecured, interest-free and fully repaid prior to the listing of the Company.

26. Amount Due to Former Minority Shareholder of a Subsidiary

The Group

At 31st March, 2007, the amount was unsecured and interest-free. During the year, an amount of HK$190,000 due to former minority shareholder of a subsidiary, a company which is wholly-owned by a Director of the Company, was waived upon the acquisition of additional 10% equity interest in Smart Ideal by the Group, since then Smart Ideal became the wholly-owned subsidiary of the Company.

Notes to the Financial Statements

For the year ended 31st March, 2008

27. Share Capital

	Notes	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
Upon incorporation on 8th October, 2007	(a)	**1,000,000**	10
Increase in authorised share capital	(b)	**9,999,000,000**	99,990
At 31st March, 2008		**10,000,000,000**	100,000
Issued and fully paid:			
Issue of shares at nil-paid on 10th October, 2007 and credited as fully paid in accordance with the Group Reorganisation	(a) & (c)	**1**	–
Issue of shares to the sole shareholder in accordance with the Group Reorganisation	(c)	**9,999,999**	100
Issue of shares by way of capitalisation of share premium account	(d)	**440,000,000**	4,400
Issue of shares by way of placing and public offer	(e)	**150,000,000**	1,500
At 31st March, 2008		**600,000,000**	6,000

The amount of share capital of HK$800,000 shown on consolidated balance sheet as at 1st April, 2006 and 31st March, 2007 represented the aggregate issued share capital of all subsidiaries of the Group held by Top Queen prior to the Group Reorganisation.

27. Share Capital – continued

The movements in the Company's authorised and issued share capital during the period from 8th October, 2007 (date of incorporation) to 31st March, 2008 are as follows:

(a) Upon incorporation, the authorised share capital of the Company was HK$10,000 divided into 1,000,000 ordinary shares of HK$0.01 each. One share of HK$0.01 was allotted and issued at nil-paid on 10th October, 2007.

(b) On 18th January, 2008, the authorised share capital of the Company was increased from HK$10,000 to HK$100,000,000 by the creation of an additional 9,999,000,000 ordinary shares of HK$0.01 each.

(c) On 18th January, 2008, as part of the Group Reorganisation, the Company (i) issued to Velba an aggregate of 9,999,999 new ordinary shares of HK$0.01 each credited as fully paid at par, and (ii) credited as fully paid at par for the then existing one share issued at nil-paid on 10th October, 2007 held by Velba as set out in (a) above, in consideration of and in exchange for the acquisition of the entire issued share capital of Merslake Limited ("Merslake") held by Top Queen.

(d) On 11th February, 2008, 440,000,000 new ordinary shares of HK$0.01 each were allotted and issued as fully paid at par to the sole shareholder of the Company on the register of members of the Company at the close of business on 18th January, 2008, by way of capitalisation of the sum of HK$4,400,000 standing to the credit of the share premium account of the Company, conditional on the share premium account being credited as a result of placing and public offer of shares as set out in (e) below. For the purpose of preparing the financial statements, these shares were deemed to have been in issue throughout the year ended 31st March, 2008.

(e) On 11th February, 2008, 150,000,000 new ordinary shares of HK$0.01 each were issued by way of placing to professional, institutional and private investors and public offer to the public at a price of HK$0.68 per share. On 12th February, 2008, the Company's shares were listed on the Main Board of the Stock Exchange.

All the shares which were issued by the Company during the year rank pari passu with each other in all respects.

Notes to the Financial Statements

For the year ended 31st March, 2008

28. Share Option Schemes

(a) Share Option Scheme

Pursuant to the written resolutions passed by the sole shareholder of the Company on 18th January, 2008, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Share Option Scheme, the Directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive Director but excluding any non-executive Director), any non-executive Director (including independent non-executive Directors), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its investee companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the Company issued share capital, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive Directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of Directors but in any event not exceeding 10 years. The exercise price is determined by the Directors of the Company and will be not less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the Company's shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

No option was granted by the Company under the Share Option Scheme since its adoption and up to 31st March, 2008.

28. Share Option Schemes – continued

(b) Pre-IPO Share Option Scheme

The purpose of the Pre-IPO share option scheme is to recognise and reward the contribution of certain Directors, senior management, employees, consultants and advisers of the Group to the growth and development of the Group and the Stock Exchange. The principal terms of the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") adopted by a resolution in writing passed by the sole shareholder on 18th January, 2008 are similar to the terms of the Share Option Scheme except that:

(i) the subscription price is equal to the final offer price per share upon listing of the Company;

(ii) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally by a resolution in writing passed by the sole shareholder on 18th January, 2008, but the exercise of any option granted thereunder is conditional upon the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme shall lapse, upon expiry of the option period (i.e. the period from the exercise of such options commencing on the day falling 1 year from the listing date but shall not exceed 5 years from the listing date);

(iii) no further options shall be granted under the Pre-IPO Share Option Scheme after the listing of the Company.

On 18th January, 2008, a total of 7,500,000 share options were granted to two Directors of the Company at an exercise price of HK$0.68 under the terms of the Pre-IPO Share Option Scheme.

A summary of movements of the outstanding share options, which have been granted to the Directors of the Company under the Pre-IPO Share Option Scheme, during the year is as follows:

Date of grant	Exercisable period	Exercise price HK$	Granted on 18.1.2008 and outstanding at 31.3.2008
18.1.2008	12.2.2009 – 12.2.2013	0.68	7,500,000

Notes to the Financial Statements

For the year ended 31st March, 2008

28. Share Option Schemes – continued

(b) Pre-IPO Share Option Scheme – continued

The estimated fair value of the share options granted on those dates were HK$0.3421. Details of the fair value of the share options determined at the date of grant on 18th January, 2008 using the Binomial option pricing model with the inputs are as follows:

Share price at date of grant	HK$0.680
Exercise price	HK$0.680
Expected volatility	73.0%
Expected life of options	5 years
Risk-free rate	2.16 %
Expected dividend yield	Nil

The expected volatility was determined with reference to the historical volatility of the price of listed companies with similar business to the Group. The expected life used in the model based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the year, the Group recognised an expense of HK$485,000 in relation to share options granted by the Company.

29. Reserves

The Group

Details of changes in reserves of the Group are set out in the consolidated statement of changes in equity.

(a) Share premium

At 31st March, 2007, the amount represented difference between the nominal value of share capital and amount due to Top Queen capitalised for issue of 1 share of US$1 each in Exactly Aim Limited ("Exactly Aim") during the year ended 31st March, 2007. The amount was eliminated at the time of the Group Reorganisation.

(b) Special reserve

The special reserve of the Group represents the differences between the aggregate amount of share capital and share premium of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the Group Reorganisation.

(c) Capital contribution reserve

The amount of HK$695,000 was arising from the acquisition of additional 15% equity interest in Smart Ideal by Top Queen from a minority shareholder in 2006 and deemed as capital contribution to the Group.

The amount of HK$101,000 represented the current accounts waived by Top Queen during the year as a result of deregistration of eWeekend Limited and Forever Grace Limited prior to the Group Reorganisation.

Notes to the Financial Statements

For the year ended 31st March, 2008

29. Reserves – continued

The Company

	Share premium HK$'000	Merger reserve HK$'000	Share options reserve HK$'000	Accumulated profit HK$'000	Total HK$'000
Profit for the year and total recognised income for the year	–	–	–	11,675	11,675
Merger reserve arising from issue of shares at nil-paid and credited as fully paid on the Group Reorganisation	–	72,120	–	–	72,120
Premium arising from issue of shares for cash by way of placing and public offer	100,500	–	–	–	100,500
Expenses incurred in connection with the issue of new shares	(5,681)	–	–	–	(5,681)
Capitalisation issue	(4,400)	–	–	–	(4,400)
Recognition of equity-settled share-based payments	–	–	485	–	485
At 31st March, 2008	90,419	72,120	485	11,675	174,699

The merger reserve of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the Group Reorganisation.

At 31st March, 2008, the Company's reserves available for distribution was HK$11,675,000 as calculated under section 79B of the Hong Kong Companies Ordinance.

30. Major Non-cash Transactions

In 2008, an amount of HK$101,000 due to former immediate holding company was waived and recorded in capital contribution reserve (note 29(c)).

On 18th January, 2008, the Company issued an aggregate of 9,999,999 new shares of HK$0.01 each and credited as fully paid at par to Velba for the then existing one share issued at nil-paid on 10th October, 2007, as consideration for the exchange of investment in Merslake held by Top Queen.

On 11th February, 2008, the Company allotted 440,000,000 new shares of HK$0.01 each to the sole shareholder of the Company on the register of member of the Company at the close of business on 18th January, 2008, by the way of capitalisation of the sum of HK$4,400,000 standing to the credit of the share premium account of the Company.

In 2007, an amount of HK$1,750,000 due to a related company was settled through the current account with former immediate holding company.

In 2007, an amount of HK$90,000,000 due to former immediate holding company was capitalised for issue of 1 share of US$1 each of Exactly Aim.

31. Operating Lease Commitment

The Group as lessee

At the balance sheet date, the Group was committed to make the following future minimum lease payments in respect of related premises under non-cancellable operating leases which fall due as follows:

	The Group	
	2008	2007
	HK$'000	HK$'000
Within one year	**2,833**	3,070
In the second to fifth year inclusive	**2,889**	5,563
	5,722	8,633

The leases are from two to four years. All lease are on a fixed payment basis.

At 31st March, 2008, the Company did not have significant operating lease commitments either as lessee or lessor.

Notes to the Financial Statements

For the year ended 31st March, 2008

32. Contingent Liabilities

Certain subsidiaries of the Group were involved in legal proceedings or claims against them in the ordinary course of their business activities during the year. In the opinion of the Directors of the Company, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and no further provision for any potential liability in the consolidated balance sheet is considered necessary.

At 31st March, 2008, the Company did not have significant contingent liabilities.

33. Retirement Benefits Scheme

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK$1,000 per employee to the scheme, which contribution is matched by employees.

The total cost charged to the consolidated income statement of HK$4,508,000 (2007: HK$4,385,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

34. Related Party Transactions

(a) During the year, the Group had the following transactions with related companies:

	2008 HK$'000	2007 HK$'000
Advertising income received	**2,158**	1,954
Advertising expenses paid	**136**	54
Consultancy fee paid	**–**	237
Delivery charges paid	**–**	19
Entertainment expenses paid	**47**	–
Management fee paid	**982**	–
Model fee and make up expenses paid	**–**	445
Overseas travelling expenses paid	**125**	131
Photos and printing services income received	**4**	14
Printing costs paid	**5,400**	8,035
Rental charges paid	**116**	–
Sundry expenses paid	**37**	31
Sundry income received	**98**	–
Underwriting and placing commission paid	**571**	–

The related companies are companies owned by the Trust, a controlling shareholder of the Company.

(b) The key management personnel includes solely the Directors of the Company and the compensation paid to them is disclosed in note 11.

Notes to the Financial Statements

For the year ended 31st March, 2008

35. Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31st March, 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Attributable equity interest held by the Company	Principal activities
Directly held				
Merslake Limited	BVI/Hong Kong	US$11	**100%**	Investment holding
Indirectly held				
Economic Digest Publishing Limited	Hong Kong	HK$2	**100%**	Book publishing agent
Emperor Glory Investments Limited	Hong Kong	HK$2	**100%**	Provision of group tenancy agent services
Exactly Aim Limited	BVI/Hong Kong	US$2	**100%**	Group treasury services
Favour Win Limited	Hong Kong	HK$2	**100%**	Provision of group tenancy agent services
New Media Group (HK) Limited	Hong Kong	HK$2	**100%**	Magazine and book publishing
Smart Ideal Limited	Hong Kong	HK$100	**100%**	Magazine publishing
Time Year Limited	Hong Kong	HK$2	**100%**	Copyright holding and licensing business
Wide Connection Limited	Hong Kong	HK$2	**100%**	Magazine publishing
World Sources (HK) Limited	Hong Kong	HK$800,000	**100%**	Magazine publishing

35. Principal Subsidiaries – continued

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries of the Company had issued any debt securities as at 31st March, 2008.

Financial Summary

Results

	For the year ended 31st March,			
	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**452,373**	390,554	362,006	316,563
Profit before taxation	**39,633**	24,947	24,723	11,763
Taxation (charge) credit	**(8,459)**	6,221	(1,398)	–
Profit for the year	**31,174**	31,168	23,325	11,763

Assets and Liabilities

	At 31st March,			
	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**222,051**	107,387	96,906	84,334
Total liabilities	**(73,234)**	(81,649)	(192,336)	(203,784)
Total equity	**148,817**	25,738	(95,430)	(119,450)

Notes:

1. The Company was incorporated in Hong Kong on 8th October, 2007 and became the holding company of the Group with effect from 18th January, 2008 upon the completion of the Group Reorganisation as set out in the Company's prospectus dated 29th January, 2008.

2. The results for the three years ended 31st March, 2007 and assets and liabilities of the Group as at 31st March, 2007, 2006 and 2005 have been prepared on a combined basis to indicate the results of the Group as if the Group structure, at the time when the Company's shares were listed on the Stock Exchange, had been in existence throughout the years concerned. The figures for the three years ended 31st March, 2007 have been extracted from the Company's prospectus dated 29th January, 2008.