万华媒体

二〇〇八年年報

One Media Group Limited
萬 華 媒 體 集 團 有 限 公 司

Stock Code 股份代號：426

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. TIONG Kiu King *(Chairman)*
Mr. TIONG Kiew Chiong
Mr. TUNG Siu Ho, Terence

NON-EXECUTIVE DIRECTOR

Mr. Peter Bush BRACK

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. LAM Pak Cheong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

AUDITOR

PricewaterhouseCoopers

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

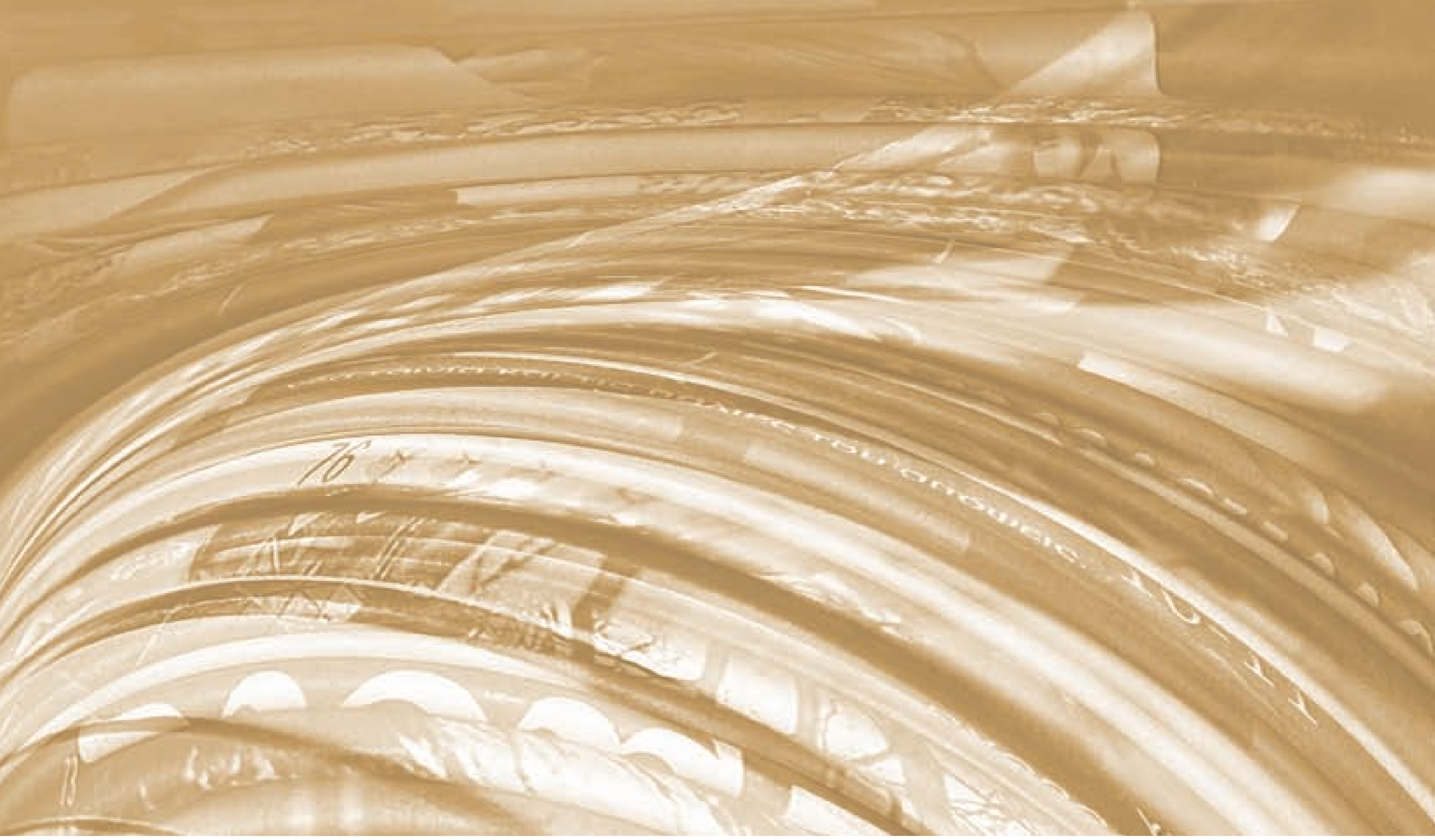
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

426

WEBSITE

www.omghk.com



GROUP'S PRINCIPAL ACTIVITIES
CHAIRMAN'S STATEMENT
MANAGEMENT DISCUSSION AND ANALYSIS
REPORT OF THE DIRECTORS
CORPORATE GOVERNANCE REPORT

GROUP'S PRINCIPAL ACTIVITIES

万 华 媒 体
ONEMEDIAGROUP

Fashion & Entertainment

Information Technology

Automotive

CHAIRMAN'S STATEMENT

Mr. TIONG Kiu King
Chairman

The Board of Directors (the "Board of Directors") of One Media Group Limited (the "Company") is pleased with encouraging results for the Company and its subsidiaries (collectively, the "Group") for the year ended 31st March 2008. The past year was a year of consolidating our operation to prepare for a wide array of developments in the future. The changes we made together with the ongoing improvement of our core brands have translated into substantial bottom-line growth.

The discontinuation of the operation of "*T3 科技新時代*" and "*Rolling Stone 音樂時空*" in Mainland China took effect in April 2007, respectively. In addition, at the end of this financial year, we also decided to discontinue the operation of *City Children's Weekly* in Hong Kong with effect from April 2008. This decision reaffirms our management's ability to respond to rapid changes in the market.

Going forward, we shall continue improving our existing products, from both an editorial perspective and a business development perspective with a view to make the products more attractive and more profitable. These initiatives will hopefully bring better quality to our magazines' editorial content, improve their appeal to advertisers, and boost cost-efficiency.

At the same time, we are exploring the business model of licensing our own leading magazine brands to other markets. The first step of this new business development is the Taiwan edition of our flagship *Ming Pao Weekly*. We, in collaboration with our business partner in Taiwan, successfully launched the Taiwan edition of *Ming Pao Weekly* in the Taiwan market in June 2008. It is hoped that this is for the starting point of a potential business development of the Company. This also makes *Ming Pao Weekly*, celebrating its 40th anniversary in 2008, to be one of a few truly multiple-market entertainment magazines in Chinese language in the world.

Last but not the least, I would like to take this opportunity to thank the management and staff for their efforts and contributions. I would also like to thank our advertising partners, readers, and shareholders for their continuous support.

TIONG Kiu King
Chairman

Hong Kong, 16th July 2008

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS SUMMARY

Against a backdrop of intense competition in the magazine market in Hong Kong and China, the Group had been able to reach a consolidated turnover of HK$219,899,000 for the year ended 31st March 2008 (2007: HK$219,429,000), taking into account the operation of two magazines in China was discontinued since April 2007.

The Group, meanwhile, started to reap from efforts it made in the previous year in improving the efficiency of its core business operations, as demonstrated by the 291% increase in profit after taxation to HK$12,020,000 for the year (2007: HK$3,077,000) as a result of the notable improvement for Hong Kong operation. Earnings per share increased by 291% to HK3.01 cents (2007: HK0.77 cent) and the net asset per share by 11% to HK$0.4 (2007: HK$0.36).

REVIEW OF OPERATIONS

Hong Kong

During the year under review, the Group published three magazine titles in Hong Kong, namely *Ming Pao Weekly, Hi-Tech Weekly* and *City Children's Weekly*. These titles contributed a combined turnover of HK$187,107,000 (2007: HK$179,586,000), representing an increase of 4% compared to last year, while operating profit increased by 40% to HK$39,044,000 (2007: HK$27,985,000), as a result of the increase in advertising income and tight control over operating costs.

Ming Pao Weekly, the Group's premier entertainment/celebrity/fashion title, remained the major revenue and growth contributor as its clean yet chic content, far-sighted offering of the more conveniently accessible compact edition on the top of the already-successful classic edition, continued to receive strong support from readers and advertisers. As the year 2008 marks the 40th anniversary of this title, it is envisaged that the Group will continue to put in more resources to improve the content of this flagship title further to better secure the support from advertisers and readers it already enjoys and reach a larger and more diverse readership.

REVIEW OF OPERATIONS *(Continued)*

Hong Kong *(Continued)*

Hi-Tech Weekly continued to enjoy its loyal and stable subscriber and readership base during the year. In order to entice more advertisers, the management initiated a revamp in this title in May 2008 to cut its cover price by half to HK$5 while continuously strengthening its content. This revamp received very favourable responses from readers. The management would like to see that this momentum will continue and will trigger in due course upward adjustments of its advertising rates and broadening of its advertiser base.

With effect from April 2008, the Group discontinued the operation of *City Children's Weekly*. This decision came as part of the management's vigilant response to the rapidly changing operating environment. This move will not cause material impact on the Group's financial performance.

Mainland China

The operation in Mainland China contributed a turnover of HK$32,792,000 (2007: HK$39,843,000) to the Group, representing a 18% decline compared to last year as effects of the discontinuation of operations of "*T3科技新時代*" and "*Rolling Stone音樂時空*" kicked in April 2007. Operating loss reduced further to HK$12,463,000 (2007: HK$14,875,000) as the beneficial impact of discontinuation of the two operations came to partial fruition.

"*MING明日風尚*" ("MING"), while still enjoying stable advertising revenue and readership in the lifestyle and fashion magazine market in China, is facing increasingly intense competition from its peers. The Group is developing a plan to revamp and strengthen MING's content to raise its appeal to advertisers and readers.

"*Top Gear汽車測試報告*" ("TG") enjoyed a year of strong growth momentum in popularity in line with the rapid increase in private car ownership in China that triggered a surge in the need for high quality content in this area. The Group is considering replicating the success of this title in other places.

"*Popular Science科技新時代*" ("PS"), meanwhile, continued to maintain its niche positioning and enjoyed strong support from its loyal readership in the consumer electronics category. The advertisers also expressed their welcome and support to the bundled advertising placement packages for exposure in both TG and PS the Group developed for them.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

Benefiting from the fruitful harvest in its core operations over the past years, the Group is now in a solid position to expand into new areas where there is more room to expand and excel.

The Group, in collaboration with its business partner in Taiwan, has successfully launched the Taiwan edition of its flagship *Ming Pao Weekly* on the island in June 2008. The initial responses from readers and advertisers have been very encouraging. The Group has high confidence that this will eventually develop into a practical model for it to license its own magazine brands to markets in the Greater China region. Meanwhile, the Group is developing a multi-media content licensing business.

Acquisitions of media assets remain a central focus for the Group in terms of further expansion in the region. The Group will continue to pursue opportunities through acquisition at a fair market value and consider those targets that are based in Greater China, synergistic and complementary to its current businesses.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31st March 2008, the Group's net current assets amounted to HK$145,295,000 (2007: HK$129,161,000) and the total equity attributable to the equity holders of the Company was HK$160,612,000 (2007: HK$145,860,000). The Group had no bank borrowings (2007: Nil) and the gearing ratio, which is defined as the ratio of total bank borrowings to the total equity attributable to the equity holders of the Company, was 0% (2007: 0%).

As at 31st March 2008, the Group's total cash balance was HK$106,239,000 (2007: HK$91,357,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

CONTINGENT LIABILITIES

As at 31st March 2008, the Group did not have any material contingent liabilities or guarantees (2007: Nil).

CLOSURE OF THE REGISTER OF THE MEMBERS

The register of members will be closed from Wednesday, 20th August 2008 to Tuesday, 26th August 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend of HK1 cent per ordinary share, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 19th August 2008.

EMPLOYEES

As at 31st March 2008, the Group has approximately 243 employees (2007: 277 employees), of which 163 and 80 were stationed in Hong Kong and in the Mainland China, respectively. The Group remunerates its employees based on the operating results, individual performance and comparable market statistics. The emoluments of the directors and senior management are reviewed by the Remuneration Committee regularly. The Company has implemented share option schemes as an incentive to the directors and eligible employees.

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

EVENTS OF THE YEAR

Hi-Tech Weekly The Best of the Best Awards Presentation Ceremony - 3rd April 2008

Ming Pao Weekly Showbiz Awards Presentation - 15th November 2007

2008 SOPA Awards Presentation - 4th June 2008

Ming Pao Weekly 40th Anniversary - Three Kingdoms Resurrection of the Dragon Gala Premiere - 26th March 2008

Ming Pao Weekly Mother's Day Party - 11th May 2008

REPORT OF THE DIRECTORS

The directors (the "Directors") of the Company submit their report together with the audited consolidated financial statements for the year ended 31st March 2008.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 41.

The Directors recommend the payment of a final dividend of HK1 cent (2007: HK0.375 cent) per ordinary share, totalling HK$4,000,000 (2007: HK$1,500,000).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 15 to the consolidated financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 100 million shares of HK$0.001 each at HK$1.2 per share by way of placing and public offer on 18th October 2005 (the "Listing Date") (as set out in detail in the prospectus dated on 30th September 2005 issued by the Company (the "Prospectus")). The net proceeds, after deduction of related issuance expenses, amounted to approximately HK$102,968,000 ("Net Proceeds"). The Net Proceeds were partially applied up to 31st March 2008 in accordance with the proposed applications set out in the Prospectus as follows:

	Proposed application of Net Proceeds HK$'000	Actual amount used up to 31st March 2008 HK$'000
Acquisition of magazine business in People's Republic of China ("PRC")	50,000	–
Sales and marketing activities for new magazines	24,000	6,818
Circulation-related activities of new magazines	12,000	8,097
Repayment of short-term loan	10,000	10,000
General working capital	6,968	5,000
	102,968	29,915

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March 2008, including the share premium, available for distribution, calculated in accordance with the provisions of Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$496,196,000 (2007: HK$458,013,000).

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

DISTRIBUTABLE RESERVES *(Continued)*

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

PRE-EMPTIVE RIGHTS

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

SHARE OPTIONS

The Company has two share option schemes (the "Schemes"). A pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was approved and adopted by shareholders on 26th September 2005. Another share option scheme ("Post-IPO Share Option Scheme") was also approved on the same date, 26th September 2005 by the shareholders of the Company. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms: (a) the subscription price per share was the final Hong Kong dollar price per share at which shares were to be sold in an offer for sale in Hong Kong on the Listing Date and (b) no options would be offered or granted upon the commencement of dealings in the shares of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

SHARE OPTIONS *(Continued)*

Under the Post-IPO Share Option Scheme, the subscription price per share is a price to be determined by the Board of Directors which shall be the highest of the closing price of the shares on the Stock Exchange on the relevant offer date, the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the relevant offer date or the nominal value of the shares. The Board of Directors may grant options to subscribe the shares of the Company to any full time employee, executive and non-executive directors (including the independent non-executive directors) of the Group or the Media Chinese International Limited ("MCI") (formerly known as Ming Pao Enterprise Corporation Limited) and its subsidiaries (the "MCI Group") (for so long as the Company remains as a subsidiary of MCI) ("Employee"). No share option has been granted or agreed to be granted under the Post-IPO Share Option Scheme for the year ended 31st March 2008.

The purposes of the Schemes are to encourage employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to motivate them to achieve higher levels of good corporate governance.

The maximum number of shares in respect of which options may be granted under the Schemes when aggregated with the maximum number of shares in respect of any options to be granted under any other share option scheme established by the Company (if any) is that number which is equal to 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange. As at 31st March 2008, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised under the Pre-IPO Share Option Scheme was 13,778,000 shares, which represented 3.45% of the issued share capital of the Company as at that date. As at 31st March 2008, no option has been granted or agreed to be granted by the Company under the Post-IPO Share Option Scheme. No Employee shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such employee in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time.

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

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

SHARE OPTIONS *(Continued)*

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

(i) 20% of the shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or

(ii) 100% of the shares comprised in the option will fully vest on the first anniversary of the Listing Date, as the case may be, which has been specified in the offer letters to the grantees.

Details of the share options outstanding and movements during the year ended 31st March 2008 are as follows:

Grantees		Number of shares involved in share options (in thousands)								
		Balance at 1st April 2007	Granted during the year	Exercised during the year (Note 3)	Lapsed during the year (Note 3)	Balance at 31st March 2008	Percentage of issued ordinary shares at 31st March 2008	Exercise price per share HK$	Date of conditional grant	Exercisable period
Directors of the Company:										
Mr. TIONG Kiu King	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TIONG Kiew Chiong	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Peter Bush BRACK	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TUNG Siu Ho, Terence	(Note 1)	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Robert William Hong-San YUNG *	(Note 1)	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. YU Hon To, David	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. SIT Kien Ping, Peter	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TAN Hock Seng, Peter	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
		6,200	–	–	–	6,200	1.55%			

* Mr. Robert William Hung-San YUNG has resigned as executive Director and Chief Strategy Officer on 1st May 2008.

SHARE OPTIONS *(Continued)*

Grantees		Balance at 1st April 2007	Granted during the year	Exercised during the year (Note 3)	Lapsed during the year (Note 3)	Balance at 31st March 2008	Percentage of issued ordinary shares at 31st March 2008	Exercise price per share HK$	Date of conditional grant	Exercisable period
		Number of shares involved in share options (in thousands)								
MCI's directors:										
Tan Sri Datuk TIONG Hiew King	(Note 1)	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Dr. TIONG Ik King	(Note 1)	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TANG Ying Yu *	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Victor YANG	(Note 1)	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
		2,550	–	–	–	2,550	0.64%			
Full time employees	(Note 1)	4,300	–	–	200	4,100	1.03%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Full time employees	(Note 2)	1,032	–	–	104	928	0.23%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Total		14,082	–	–	304	13,778	3.45%			

* Mr. TANG Ying Yu has resigned as independent non-executive director of MCI on 31st March 2008.

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

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

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

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

(3) During the year, 304,000 share options have been lapsed by reason of the grantees ceased to be full time employees of the Company and its subsidiaries. No share option was granted, exercised or cancelled during the year.

The fair value of the options granted is set out in note 14 to the consolidated financial statements.

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

DIRECTORS

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

Mr. TIONG Kiu King *(Chairman)*
Mr. TIONG Kiew Chiong *(Deputy Chairman)*
Mr. Peter Bush BRACK# *(re-designated as non-executive Director, resigned as Chief Executive Officer and appointed as Vice Chairman on 1st June 2008)*
Mr. TUNG Siu Ho, Terence *(appointed as Chief Executive Officer on 1st June 2008)*
Mr. Robert William Hong-San YUNG *(resigned as executive Director and Chief Strategy Officer on 1st May 2008)*
Mr. YU Hon To, David*
Mr. SIT Kien Ping, Peter*
Mr. TAN Hock Seng, Peter*

* *Independent non-executive Directors*
\# *Non-executive Director*

In accordance with Article 108(a) of the Articles, Mr. TIONG Kiu King, Mr. Peter Bush BRACK and Mr. YU Hon To, David retire by rotation at the annual general meeting and, being eligible, offers himself for re-election.

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

DIRECTORS' SERVICE CONTRACTS

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

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

The appointment of the non-executive Director is for an initial fixed term of one year from 1st June 2008 and shall continue unless and until terminated by either party giving to the other party not less than one month's prior notice in writing to terminate the appointment.

The term of the independent non-executive Directors has been renewed for three years from 1st April 2007 to 31st March 2010.

DIRECTORS' INTERESTS IN CONTRACTS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

TIONG Kiu King, aged 73, is the Chairman of the Company. He has been an executive director of MCI since October 1995 and was appointed as an executive Director in April 2005. Mr. TIONG has extensive experience in the media business. He graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong. He is a brother of Tan Sri Datuk TIONG Hiew King, the Chairman of MCI, and Dr. TIONG Ik King, the executive director of MCI.

TIONG Kiew Chiong, aged 48, is the Deputy Chairman of the Company. Mr. TIONG is also the Chairman of the executive committee of the Group. He was appointed as an executive Director in March 2005 and has been an executive director of MCI since May 1998. Mr. TIONG has extensive experience in the media business. He is one of the founders of The National, a newspaper in Papua New Guinea launched in 1993 and was formerly a director of Sin Chew Media Corporation Berhad in Malaysia. Mr. TIONG obtained a Bachelor of Business Administration from York University in Canada.

TUNG Siu Ho, Terence, aged 46, is the Chief Executive Officer of the Group. Mr. TUNG is also a member of the executive committee of the Group. He is in charge of the overall management of the Group. Mr. TUNG joined as the Sales Director of Ming Pao Magazines Limited in September 1998 and was appointed as an executive Director in April 2005. He has been in the media business for more than 20 years and was formerly a director and General Manager of Metropolitan Publications Limited. He is the Vice Chairman of The Society of Publishers in Asia. Mr. TUNG obtained a Bachelor of Arts from the University of Toronto in Canada.

Non-Executive Director

Peter Bush BRACK, aged 37, is the Vice Chairman of the Company. He joined the Group in May 2004 and was re-designated as a non-executive Director in June 2008. Mr. BRACK is also the Chairman and Chief Executive Officer of Redgate Media Inc.. Prior to joining the Group, he had been a senior executive at Time Warner for more than 10 years. Among other roles, he was the Senior Vice President of the Asian edition of Time and Fortune. Mr. BRACK obtained a Bachelor of Arts in English Literature from Tulane University in the United States.

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

Independent non-executive Directors

YU Hon To, David, aged 60, has been an independent non-executive director of the Company since June 2005. He is also the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. YU is a fellow of the Institute of Chartered Accountants in England and Wales, and an associate of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr. YU is a founder and director of MCL Capital Limited (previously known as Management Capital Limited), a company which is engaged in direct investment and financial advisory services. Mr. YU is currently an independent non-executive director of MCI and holds directorship of several other companies listed on the Stock Exchange.

SIT Kien Ping, Peter, aged 55, has been an independent non-executive director of the Company since June 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He is a solicitor of Hong Kong, a notary public, a China-appointed attesting officer, and an adjudicator of the Immigration Tribunal. Mr. SIT has over 29 years of experience in advising on commercial transactions and conveyancing projects, and currently is a senior and founding partner of Sit, Fung, Kwong & Shum, a law firm in Hong Kong.

TAN Hock Seng, Peter, aged 74, has been an independent non-executive director of the Company since June 2005. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. TAN is currently the director of International Credit Money Research Centre of Yenching Institute and a visiting professor of the College of Arts and Science of Beijing United University. He is an experienced investor and researcher in the area of currency economics and had organised various seminars about international currencies and economies in the PRC. Mr. TAN obtained a Bachelor in Geology from Peking Geology University in the PRC.

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

Senior management

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

CHAN Yiu On, Terry, aged 51, is the Chief Operating Officer of the Group. Mr. CHAN is also a member of executive committee of the Group. He is in charge of the overall sales and marketing and the general management of the business operation of the Group. Mr. CHAN has 30 years extensive experience in media industry in Hong Kong. Prior to joining the Group, he had worked in several media companies engaged in the business of advertising, media agency, terrestrial TV, print publishing and radio broadcasting. He is very familiar with the media industry and is an experienced senior executive of the advertising industry in Hong Kong.

LUNG King Cheong, aged 54, is the Editorial Director of the Group. Mr. LUNG is also a member of executive committee of the Group. He is in charge of the overall editorial works and the general management of the editorial team of all publications of the Group. Mr. LUNG has extensive publishing and editorial experience in Hong Kong. Prior to joining the Group, he was the Chief Editor and Publisher of *Hong Kong Today*. Mr. LUNG is very familiar with the media industry and is one of the most experienced chief editors of lifestyle magazines in Hong Kong.

LAU Yat Fan, aged 43, is the Chief Executive Officer (China Operation). He is in charge of the general management of the Group's operation in the PRC. Mr. LAU has extensive experience in various businesses in China, including media, advertising, property and trading. He is very familiar with the China market and is an experienced entrepreneur in China.

YEUNG Ying Fat, aged 40, is the Financial Controller and the Qualified Accountant of the Group. He is in charge of the financial and management accounting of the Group. Mr. YEUNG has extensive experience in financial accounting and management accounting. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to this, he had worked in several international accounting firms for more than 4 years. Mr. YEUNG obtained a Bachelor of Management in Accounting from the University of Lethbridge in Canada.

WONG Ching Hang, Cynthia, aged 41, is the Business Director of the Group. She is in charge of the overall advertising sales and the business development of all publications of the Group. Ms. WONG has extensive advertising sales experience in the media industry. She obtained a Higher Certificate in Marketing and Sales Management from the Hong Kong Polytechnic University in Hong Kong.

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

As at 31st March 2008, the interests or short positions of the Directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified or as required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are as follows:

(a) Interests in the Company's shares

	Number of shares/underlying shares held						
Name of director	Personal interest	Family interest	Corporate interest	Total interests in shares	Interests in underlying shares pursuant to share options (Note)	Aggregate interests	Percentage of interest as at 31st March 2008
Mr. TIONG Kiu King	–	–	–	–	1,250,000	1,250,000	0.31%
Mr. TIONG Kiew Chiong	3,500,000	–	–	3,500,000	1,250,000	4,750,000	1.19%
Mr. Peter Bush BRACK#	110,000	–	–	110,000	1,250,000	1,360,000	0.34%
Mr. TUNG Siu Ho, Terence	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. Robert William Hong-San YUNG*	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. YU Hon To, David	–	–	–	–	150,000	150,000	0.04%
Mr. SIT Kien Ping, Peter	–	–	–	–	150,000	150,000	0.04%
Mr. TAN Hock Seng, Peter	200,000	–	–	200,000	150,000	350,000	0.09%

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

* *Mr. Robert William Hung-San YUNG has resigned as executive Director and Chief Strategy Officer on 1st May 2008.*

Mr. Peter Brack has re-designated as non-executive Director, resigned as Chief Executive Officer and appointed as Vice Chairman on 1st June 2008.

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

(Continued)

(b) Interests in shares in MCI

	Number of shares/underlying shares held							
Name of director	Personal interest (Note 2)	Family interest	Corporate interest	Total interest in shares	Deemed interest in MCI's shares pursuant to share options (Note 1)	Total number of MCI's shares in which the Director has or is deemed to have interests	Approximate percentage of interest in MCI as at 31st March 2008	Approximate percentage of interest in MCI as at 23rd April 2008
Mr. TIONG Kiu King	2,454,559	147,000	–	2,601,559	600,000	3,201,559	0.80%	0.19%
Mr. TIONG Kiew Chiong	5,088,783	–	–	5,088,783	600,000	5,688,783	1.42%	0.34%

Note1: These represent share options granted by MCI to the relevant Directors under the share option scheme approved at a special general meeting of MCI held on 21st August 2001 to subscribe for shares in MCI. Further details of these share options are shown below.

Note 2: Personal interest of Mr. TIONG Kiu King and Mr. TIONG Kiew Chiong in MCI included deemed interest upon the completion of a merger (the "Merger") among MCI, Sin Chew Media Corporation Berhad ("Sin Chew") and Nanyang Press Holdings Berhad ("Nanyang") on 31st March 2008. The Merger took the form of exchange of all issued shares in each of Sin Chew and Nanyang into shares of MCI. As of 31st March 2008 and 23rd April 2008 (i.e. date of share exchange pursuant to the Merger), MCI has an issued and paid-up share capital of 401,475,000 ordinary shares and 1,686,190,241 ordinary shares of HK$0.1 each respectively.

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

(b) Interests in shares in MCI *(Continued)*

Note 2: *(Continued)*

Name of director	Underlying MCI's shares pursuant to share options	Approximate percentage of interest in MCI as at 31st March 2008	Exercise price per MCI share	Date of grant	Exercisable period
			HK$		
Mr. TIONG Kiu King	300,000	0.075%	1.592	31/08/2001	01/09/2001 to 20/08/2011
	300,000	0.075%	1.800	15/09/2003	16/09/2003 to 20/08/2011
Mr. TIONG Kiew Chiong	300,000	0.075%	1.592	31/08/2001	01/09/2001 to 20/08/2011
	300,000	0.075%	1.800	15/09/2003	16/09/2003 to 20/08/2011

Save as disclosed above and those disclosed under the paragraph headed "Share Options", as at 31st March 2008, none of the Directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31st March 2008, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of issued ordinary shares as at 31st March 2008
RGM Ventures Limited (Note 1)	44,260,188	Beneficial owner	11.07%
Starsome Limited (Note 2)	251,339,812	Beneficial owner	62.83%
Trophy Asset Management Limited (Note 3)	26,592,000	Institutional Investor	6.64%
Trophy Fund (Note 3)	20,592,000	Beneficial owner	5.14%

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

Note 1: The entire issued share capital of Winmax Resources Limited ("Winmax") is owned as to 85.027% and 14.973% by Starsome Limited ("Starsome") and RGM Ventures Limited ("RGM"). Starsome and RGM being the shareholders, agreed to wind up Winmax by way of the members' voluntary winding up. On the basis and pursuant to an agreement dated 18th March 2008 entered into among i) MCI, ii) Starsome, iii) Redgate Media Inc., iv) Redgate Media (HK) Limited, v) RGM, vi) Peter Bush BRACK, vii) Robert William Hong-San Yung and viii) Zhu Ying, Winmax would distribute its holding of 295,600,000 shares of the Company as to 251,339,812 to Starsome and 44,260,188 shares to RGM on completion of the winding-up. On 26th May 2008, Winmax was dissolved.

Note 2: Starsome is an indirect wholly-owned subsidiary of MCI. Conch Company Limited ("Conch") owns 252,487,700 shares of MCI (being 62.89% of MCI at 31st March 2008 and 14.97% at 23 April 2008). 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr. TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr. TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.

Note 3: Trophy Asset Management Limited ("TAML") is wholly-owned by Mr. Hung Kam Biu. TAML is managed by Winnington Capital Limited, an investment manager which is 50% owned by each of Hung Kam Biu and Ms. Chu Jocelyn. In addition, Trophy Fund which is managed by TAML, beneficially owns 20,592,000 shares of the Company.

Save as disclosed above and those disclosed under "Directors' interests and short positions in the share capital and debentures of the Company and its associated corporations", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company as at 31st March 2008.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

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

Purchases	
– the largest supplier	19%
– five largest suppliers combined	46%

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

CONNECTED TRANSACTIONS

Significant related-party transactions entered by the Group during the year ended 31st March 2008, which do not constitute connected transactions under the Listing Rules are disclosed in note 28 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

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

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the various licensing agreements and the supplemental agreements have complied with the reporting and announcement requirements during the year. Further, certain items of magazine services agreement, administrative service agreement, pre-press service agreement, advertising space and service barter agreement have been renewed and are exempted from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements under the Listing Rules. Other continuing connected transactions are exempted continuing connected transactions under the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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

Nature of transactions	**2008**	**Annual Caps**
	HK$'000	HK$'000
Licensing fees (note 1)	13,005	18,100
Circulation support services charge (note 2)	1,552	3,500
Barter advertising expenses (note 3)	1,293	2,000
Barter advertising income (note 4)	(1,293)	(2,000)
Colour separation services charge (note 5)	72	2,000
Charges for the leasing of:		
(i) computers and other office equipment (note 6)		
(ii) office space, storage space and parking spaces (note 7)	2,012	2,800
	(total of items (i) & (ii))	(total of items (i) & (ii))

Notes:

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

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

(3) The charges for barter advertising services were determined based on the rates charged to third party customers.

(4) The income for barter advertising services was determined based on the rates charged to third party customers.

(5) The charges for colour separation services were determined on cost reimbursement basis.

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

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

CONTINUING CONNECTED TRANSACTIONS *(Continued)*

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

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

COMPETING BUSINESS

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

MCI is a publicly listed company in Hong Kong and Malaysia which engages in the publication of Chinese language newspapers in Hong Kong, Toronto, Vancouver, New York, San Francisco and Malaysia, and opinion-led news/current affairs magazines; internet portal operation; printing services and book publishing; and travel and travel related services ("Remaining Business"). The controlling shareholder of MCI is Conch Company Limited ("Conch") which is ultimately beneficially owned by Tan Sri Datuk TIONG Hiew King and Dr. TIONG Ik King, both being executive directors of MCI. The Directors consider that there is a clear delineation between the businesses of MCI and the Group and that there is no competition between the Remaining Business and the business of the Group.

AUDITOR

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

On behalf of the Board

TIONG Kiu King
Chairman

Hong Kong, 16th July 2008

CORPORATE GOVERNANCE REPORT

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

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

CONDUCT ON SHARE DEALINGS

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

The Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard as set out in the Model Code during the year ended 31st March 2008.

THE BOARD OF DIRECTORS

Composition and Function

The Board of Directors currently comprises seven directors, of which three are executive directors, one is non-executive director and the remaining three are independent non-executive directors.

As at 31st March 2008, the directors were:

Name of Director	**Title**
Executive Directors	
Mr. TIONG Kiu King	Executive Director and Chairman
Mr. TIONG Kiew Chiong	Executive Director and Deputy Chairman
Mr. Peter Bush BRACK	Executive Director and Chief Executive Officer *(re-designated as non-executive Director, resigned as Chief Executive Officer and appointed as Vice Chairman on 1st June 2008)*
Mr. TUNG Siu Ho, Terence	Executive Director and Chief Operating Officer *(appointed as Chief Executive Officer on 1st June 2008)*
Mr. Robert William Hong-San YUNG	Executive Director and Chief Strategy Officer *(resigned as executive Director and Chief Strategy Officer on 1st May 2008)*

THE BOARD OF DIRECTORS *(Continued)*

Independent Non-Executive Directors

Mr. YU Hon To, David	Independent non-executive Director
Mr. SIT Kien Ping, Peter	Independent non-executive Director
Mr. TAN Hock Seng, Peter	Independent non-executive Director

The biographies of each of the Directors are set out on pages 19 to 20.

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

The Board of Directors is responsible for, inter alia:

(a) reviewing and approving the strategic direction of the Group established by executive Directors in conjunction with the management;
(b) reviewing and approving objectives, strategies and business development plans set by executive committee of the Company ("Executive Committee");
(c) monitoring the performance of the Chief Executive Officer and the senior management;
(d) enhancing the standard of corporate governance;
(e) approving the nominations of directors; and
(f) reviewing the effectiveness of the internal control system of the Group.

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

(a) formulating strategies and business development plans, submitting the same to the Board of Directors for approval and implementing such strategies and business development plans thereafter;
(b) submitting report on the Group's operations to the Board of Directors on a regular basis;
(c) reviewing annual budgets and submitting the same to the Board of Directors for approval;
(d) reviewing salary increment proposal and remuneration policy and submitting the same to the Board of Directors for approval; and
(e) assisting the Board of Directors in conducting the review of the effectiveness of the internal control of the Group.

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

Independence of Independent Non-Executive Directors

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

THE BOARD OF DIRECTORS *(Continued)*

Proceedings and Retirement of Directors

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

The term of the independent non-executive Directors has been renewed for three years from 1st April 2007 to 31st March 2010, and is subject to retirement and re-election by rotation at the annual general meeting under the Articles.

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

Directors' Responsibilities

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

GOVERNANCE STRUCTURE

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

1. **Executive Committee**

   The Executive Committee is the decision-making body for day-to-day operation of the Group which currently comprises Mr. TIONG Kiew Chiong, Mr. ONG See Boon (Special Assistant to the Chairman), Mr. TUNG Siu Ho, Terence, Mr. LAM Pak Cheong, Mr. CHAN Yiu On, Terry and Mr. LUNG King Cheong. Mr. TIONG Kiew Chiong is the Chairman of the Executive Committee.

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

GOVERNANCE STRUCTURE *(Continued)*

2. Remuneration Committee

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

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

(a) making recommendations to the Board of Directors of the Company's policy and structure for remuneration of the Directors and senior management;
(b) establishing a formal and transparent procedure for developing policy on remuneration; and
(c) determining specific remuneration packages for the Directors and senior management.

The remuneration of all Directors and their respective interest in share options are set out in note 20 to the financial statements and under the "Share Options" paragraph in the Report of the Directors of this report.

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

3. Nomination Committee

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

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

There was no meeting held and no director nominated for the year ended 31st March 2008.

GOVERNANCE STRUCTURE *(Continued)*

4. Audit Committee

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

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

(a) overseeing the relationship with the Company's external auditor;
(b) making recommendation to the Board of Directors on the appointment, re-appointment and removal of the external auditor;
(c) reviewing the financial information of the Group including monitoring the integrity of the Group's financial statements, annual report and accounts, half-year report and reviewing significant financial reporting judgements contained therein; and
(d) overseeing the Group's financial reporting system and internal control procedures.

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

(a) reviewed the audited financial statements for the year ended 31st March 2008 and the interim report for the six months ended 30th September 2007;
(b) reviewed and considered the report from the external auditor on the audit of the Group's financial statements;
(c) made recommendation to the Board of Directors for the appointment of the external auditor;
(d) reviewed the external auditor's audit plan; and
(e) made recommendation to the Board of Directors for the appointment of an external accounting firm to assist the Group in conducting the review and evaluation of the Group's internal control system.

GOVERNANCE STRUCTURE *(Continued)*

5. Investment Committee

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

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

(a) advising the Board of Directors in determining investment policies, objectives and strategies;
(b) executing investment policies and strategies approved by the Board of Directors;
(c) operating the fund;
(d) selecting, appointing, monitoring and terminating investment managers; and
(e) reviewing the investment performance of each investment product.

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

Number of Meetings and the Attendance Rate

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

Attendance rate

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

Note: During the year ended 31st March 2008, no directors were nominated and no Nomination Committee Meeting was held.

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

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

EXTERNAL AUDITOR

PricewaterhouseCoopers ("PwC") was appointed as the Group's external auditor for the year ended 31st March 2008. During the year, PwC, Hong Kong and its other member firms provided the following audit and non-audit services to the Group:

	HK$'000
Audit services (including interim review)	845

Total fees for audit services and non-audit services provided by other external auditors/audit firms to the subsidiaries of the Group were approximately HK$37,000 and HK$90,000 respectively.

PwC will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in August 2008.

A statement by PwC about their reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" section on page 39.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained a sufficient public float of its share capital in Hong Kong stock market throughout the financial year ended 31st March 2008.

SHAREHOLDERS' RIGHTS

The objective of shareholders communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner. The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure for voting by poll has been included in the circulars of the Company accompanying notices convening general meeting and has been read out by the chairman at the general meeting held during the year ended 31st March 2008.

INTERNAL CONTROL

It is the responsibility of the Board of Directors to ensure the Group maintains sound and effective internal control system and review its effectiveness. The Board of Directors regularly conducts an review on the internal control system of the Company and takes any actions to maintain an adequate internal control system.

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

During the financial year ended 31st March 2008, a review of the Group's internal control system and procedures including the financial, operational, compliance controls and risk management function was conducted by an independent international accounting firm. An internal control review report issued by the independent international accounting firm has been reviewed by the Audit Committee. The management and other relevant personnel have followed or are following up the recommendations stated in the internal control review report during the year and have also implemented the recommendations in order to enhance internal control policies, procedures and practices. The progress of implementing the recommendations made at the internal control review report has been closely monitored and reported at the Audit Committee meetings during the year. The Directors are in their opinion that the internal control system of the Group is effective and will continue to review and update the internal control system from time to time to ensure that shareholders' investments and the Group's assets are safeguarded.

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF ONE MEDIA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of One Media Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 41 to 99, which comprise the consolidated and company balance sheets as of 31st March 2008, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY *(Continued)*

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31st March 2008, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 16th July 2008

CONSOLIDATED INCOME STATEMENT

Year ended 31st March

	Notes	2008 HK$'000	2007 HK$'000
Turnover	*5*	**219,899**	219,429
Cost of goods sold		**(120,216)**	(125,096)
Gross profit		**99,683**	94,333
Other income	*5*	**3,856**	3,299
Selling and distribution costs		**(50,713)**	(56,755)
Administrative expenses		**(34,819)**	(35,419)
Profit before income tax		**18,007**	5,458
Income tax expense	*21*	**(5,987)**	(2,381)
Profit for the year		**12,020**	3,077
Attributable to:			
Equity holders of the Company		**12,020**	3,077
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– Basic and diluted	*23*	**3.01**	0.77
Dividends	*24*	**4,000**	1,500

The notes on pages 47 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	*6*	**9,545**	9,474
Goodwill	*7*	**2,028**	2,028
Financial assets at fair value through profit or loss	*12*	**4,409**	3,776
Deferred income tax assets	*17*	**–**	1,499
		15,982	16,777
Current assets			
Inventories	*9*	**10,082**	10,989
Trade and other receivables	*11*	**63,666**	58,176
Cash and cash equivalents	*13*	**106,239**	91,357
		179,987	160,522
Total assets		**195,969**	177,299
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**400**	400
Share premium	*14*	**456,073**	456,073
Other reserves	*15(a)*	**(335,562)**	(329,794)
Retained earnings	*15(a)*	**35,701**	17,681
Proposed final dividend	*24*	**4,000**	1,500
Total equity		**160,612**	145,860

The notes on pages 47 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

As at 31st March

	Notes	2008 HK$'000	2007 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	*17*	**525**	–
Long service payment liability	*18*	**140**	78
		665	78
Current liabilities			
Trade and other payables	*16*	**28,176**	28,126
Amounts due to fellow subsidiaries	*16*	**2,456**	3,142
Income tax liabilities		**4,060**	93
		34,692	31,361
Total liabilities		**35,357**	31,439
Total equity and liabilities		**195,969**	177,299
Net current assets		**145,295**	129,161
Total assets less current liabilities		**161,277**	145,938

On behalf of the Board

TIONG Kiew Chiong
Director

TUNG Siu Ho, Terence
Director

The notes on pages 47 to 99 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st March

	Notes	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*8*	**412,151**	402,836
Current assets			
Other receivables	*11*	**313**	280
Cash and cash equivalents	*13*	**84,149**	55,349
		84,462	55,629
Total assets		**496,613**	458,465
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**400**	400
Share premium	*14*	**456,073**	456,073
Retained earnings	*15(b)*	**36,123**	440
Proposed final dividend	*24*	**4,000**	1,500
Total equity		**496,596**	458,413
LIABILITIES			
Current liabilities			
Other payables	*16*	**17**	52
Total liabilities		**17**	52
Total equity and liabilities		**496,613**	458,465
Net current assets		**84,445**	55,577
Total assets less current liabilities		**496,596**	458,413

On behalf of the Board

TIONG Kiew Chiong
Director

TUNG Siu Ho, Terence
Director

The notes on pages 47 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Year ended 31st March

	Notes	2008 HK$'000	2007 HK$'000
Currency translation differences	*15*	**2,503**	287
Actuarial (losses)/gains of long service payment scheme	*18*	**(48)**	29
Net income recognised directly in equity		**2,455**	316
Profit for the year		**12,020**	3,077
Total recognised income for the year		**14,475**	3,393
Attributable to:			
– Equity holders of the Company		**14,475**	3,393

The notes on pages 47 to 99 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31st March

	Notes	2008 HK$'000	2007 HK$'000
Cash flows from operating activities			
Cash generated from operations	*25*	**17,522**	5,090
Hong Kong profits tax refunded		**–**	1,874
PRC enterprise income tax (paid)/refund		**(4)**	2
Net cash generated from operating activities		**17,518**	6,966
Cash flows from investing activities			
Purchase of property, plant and equipment		**(3,452)**	(7,411)
Interest received		**3,856**	3,299
Proceeds from disposal of property, plant and equipment	*25*	**289**	3
Purchase of financial assets at fair value through profit or loss		**(11,700)**	(3,889)
Proceeds from redemption of financial assets at fair value through profit or loss		**9,750**	–
Net cash used in investing activities		**(1,257)**	(7,998)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(1,500)**	(1,500)
Repayment of trust receipts loans		**–**	(338)
Net cash used in financing activities		**(1,500)**	(1,838)
Net increase/(decrease) in cash and cash equivalents		**14,761**	(2,870)
Cash and cash equivalents at beginning of the year		**91,357**	94,090
Exchange gain on cash and cash equivalents		**121**	137
Cash and cash equivalents at end of the year	*13*	**106,239**	91,357

The notes on pages 47 to 99 are an integral part of these consolidated financial statements.

For the year ended 31st March 2008

1 GENERAL INFORMATION

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

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

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 16th July 2008.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1 Changes in accounting policies

The accounting policies adopted are consistent with those used in the annual financial statements of the Company for the year ended 31st March 2007 with the exception of the following:

There was a change of the basis for the determination of the value of inventories from first-in, first-out method to weighted average method for the year ended 31st March 2008. The Group has changed its accounting policy for inventory costing in order to maintain consistency with the group policy of its parent company, Media Chinese International Limited ("MCI") (formerly known as Ming Pao Enterprise Corporation Limited). This change in accounting policy did not have a material impact on the Group's results of operations and financial position.

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

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

The following new standards, amendments to existing standards and interpretations to existing standards are relevant to the Group's operations and are mandatory for the financial year ended 31st March 2008:

IFRS 7, Financial instruments: Disclosures IFRS 7 introduces new disclosures relating to financial instruments. The adoption of this standard does not result in material changes to the Group's results of operations and financial position.

IAS 1, Amendment – Presentation of Financial Statements – Capital disclosure The amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital. This amendment does not have any material impact on the classification of the Group's consolidated financial statements.

IFRIC-Int 8, Scope of IFRS 2 IFRIC-Int 8 requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This standard does not have any impact on the Group's results of operations and financial position.

IFRIC-Int 10, Interim financial reporting and impairment IFRIC-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The adoption of this interpretation does not result in material changes to the Group's results of operations and financial position.

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation *(Continued)*

IFRIC-Int 11, IFRS 2 – Group and Treasury Share Transactions IFRIC-Int 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. IFRIC-Int 11 also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC-Int 11 is not expected to have a material impact on the Group's results of operations and financial position.

There are also a number of new standards, amendments to standards and interpretations issued that are not yet effective for the financial year ended 31st March 2008. The Group has carried out a preliminary assessment of these standards, amendments and interpretations and considered that IAS 32 and IAS 1 Amendments, IAS 1 (Revised), IFRS 2 Amendment, IFRS 3 (Revised), IAS 23 Amendment, IAS 27 (Revised) and IFRIC-Int 12 may not have any significant impact on the Group's results of operations and financial position but a detailed assessment is still being carried on. The Group is also in the process of assessing the impact of IFRS 8, IFRIC-Int 13 and IFRIC -Int 14.

2.3 Consolidation

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

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

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Consolidation *(Continued)*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (Note 2.7).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.8). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.4 Segment reporting

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

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

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

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

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

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.7 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is classified as non-current assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of investments in subsidiaries and non-financial assets

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

2.9 Financial assets

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables and cash and cash equivalents in the balance sheet (Note 2.11 and 2.12).

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Financial assets *(Continued)*

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

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

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

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in Note 2.11.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the consolidated income statement.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts.

2.13 Share capital

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

2.14 Trade and other payables

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

2.15 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

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

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

2.16 Employee benefits

(a) Pension obligations

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

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits *(Continued)*

(b) Long service payment

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

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date based on Exchange Fund Notes which have terms similar to the estimated terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in the consolidated statement of recognised income and expense.

(c) Share-based compensation

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

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

(d) Employee leave entitlements

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

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits *(Continued)*

(e) Bonus plans

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

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

2.18 Revenue recognition

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

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

For the year ended 31st March 2008

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Revenue recognition *(Continued)*

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

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

2.19 Operating leases

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

2.20 Dividend distribution

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

2.21 Provision for sales return

Revenue is stated net of estimated sales return provision. Sales return provision is recognised by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to customers and when a reliable estimate of the amount can be made.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose itself to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by management under the policies of the Group. Financial risks are identified and evaluated in close operation within the Group.

For the year ended 31st March 2008

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(a) Market Risk

(i) Currency risk

The Group mainly operates in Hong Kong and the People's Republic of China ("PRC") and the major exchange rate risks arise from fluctuations in the United States dollars ("US dollars"), and Renminbi ("RMB"). For majority of transactions conducted in Hong Kong, both revenues and cost of sales are denominated in HK dollars or US dollars. For operations in the PRC, all revenues and most of the cost of sales are denominated in RMB, while part of the purchases are denominated in US dollars or HK dollars. Management is of the view that transactions denominated in US dollars are insignificant to the Group and exposure to such currency risk is minimal.

The Group has certain investments in PRC, whose net assets are exposed to foreign currency translation risk.

At 31st March 2008, if HK dollar had weakened/strengthened by 10% against RMB with all other variables held constant, equity would have been HK$2,948,000 (2007: HK$2,658,000) higher/lower, arising mainly from foreign exchange losses/gains on translation of RMB-denominated financial assets and liabilities. Equity is more sensitive to movement in HK dollars/RMB exchange rate in 2008 than 2007 because of the increased amount of RMB-denominated transactions.

(ii) Price risk

The Group is exposed to unlisted equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as financial assets at fair value through profit or loss, for which management adopts the indicative market value provided by the issuers as their best estimate of the fair values of such securities and some of the equity linked notes are linked to some listed securities. None of Group's equity investments in equity of other entities are publicly traded. The Group exposes to commodity price risk as some of the equity linked notes are linked to some listed securities. The detail for the price risk exposed by the Group is disclosed in Note 12.

For the year ended 31st March 2008

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

(b) Credit risk

Credit risk is the risk the Group will incur a loss arising from the counterparties that fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The extent of credit risk relating to the Group's trade and other receivables (according to extent to which provisions for impairments are warranted) is disclosed in Note 11. The Group maintains cash and cash equivalents with reputable financial institution from which management believes the risk of loss to be remote. The management assesses credit quality of the outstanding cash and cash equivalents balances as high and considers no significant individual exposure. Maximum exposure to credit risk at the reporting date is the carrying value of the cash at banks.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and financial assets at fair values. The Group maintains its liquidity mainly through funding generated from the daily operation of its subsidiaries.

The remaining contractual maturities at the balance sheet date of the Group's financial liabilities amounting to HK$8,077,000 (2007: HK$9,707,000), which were trade payables and based on contractual undiscounted cash flows and the earliest date on which the Group can be required to pay within one year or on demand. Management considers the liquidity of the Group is sufficient to repay the financial liabilities.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

For the year ended 31st March 2008

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital risk management *(Continued)*

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain a gearing ratio of zero. The gearing ratios at 31st March 2008 and 2007 were zero as the Group has no borrowing or debt.

3.3 Fair value estimation

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Fair value of share options at grant date

Determining the fair value of share options at grant date requires actuarial assumptions made in respect of the volatility of the stock, risk-free interest rate, forfeiture rate and suboptimal exercise factor. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the equity. Details of these actuarial assumptions are set out in Note 14.

For the year ended 31st March 2008

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

(b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.7. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Provision for sales returns

As at 31st March 2008, the provision for sales returns of the Group amounted to HK$1,340,000 (2007: HK$1,777,000). This provision is recognised by the Group based on the best estimate and the actual return will impact the consolidated income statement in the period in which the actual return is determined.

If the estimated sales return rate applied had been 1% higher than management's estimates, the Group would have recognised a further provision of sales return by HK$24,500 and would need to reduce the revenue by the same amount accordingly.

(d) Fair value of financial assets at fair value through profit or loss

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

For the year ended 31st March 2008

5 REVENUE AND SEGMENT INFORMATION

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

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

	2008	2007
	HK$'000	HK$'000
Turnover	**219,899**	219,429
Other income		
Bank interest income	**3,856**	3,299
Total revenue	**223,755**	222,728

Primary reporting format – geographical segments

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

The Group operates mainly in two geographical areas, Hong Kong and Mainland China. The segment results for the year ended 31st March 2008 are as follows:

	Hong Kong	**Mainland China**	**Group**
	HK$'000	**HK$'000**	**HK$'000**
Segment turnover	**187,107**	**32,792**	**219,899**
Segment results	**39,044**	**(12,463)**	**26,581**
Other income			**3,856**
Unallocated expenses			**(12,430)**
Profit before income tax			**18,007**
Income tax expense (Note 21)			**(5,987)**
Profit for the year			**12,020**

For the year ended 31st March 2008

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – geographical segments *(Continued)*

The segment results for the year ended 31st March 2007 are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Segment turnover	179,586	39,843	219,429
Segment results	27,985	(14,875)	13,110
Other income			3,299
Unallocated expenses			(10,951)
Profit before income tax			5,458
Income tax expense (Note 21)			(2,381)
Profit for the year			3,077

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

	Year ended 31st March 2008			Year ended 31st March 2007		
	Hong Kong HK$'000	**Mainland China HK$'000**	**Group HK$'000**	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Depreciation (Note 6)	**2,288**	**1,007**	**3,295**	1,779	735	2,514
Impairment of trade receivables	**159**	**246**	**405**	423	266	689

For the year ended 31st March 2008

5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – geographical segments *(Continued)*

The segment assets and liabilities at 31st March 2008 and capital expenditures for the year then ended are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Eliminations HK$'000	Unallocated HK$'000	Group HK$'000
Assets	**223,179**	**36,746**	**(63,956)**	**–**	**195,969**
Liabilities	**(23,311)**	**(71,417)**	**63,956**	**(4,585)**	**(35,357)**
Capital expenditure (Note 6)	**2,526**	**927**	**–**	**–**	**3,453**

The segment assets and liabilities at 31st March 2007 and capital expenditures for the year then ended are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Eliminations HK$'000	Unallocated HK$'000	Group HK$'000
Assets	192,449	33,498	(50,147)	1,499	177,299
Liabilities	(22,934)	(58,559)	50,147	(93)	(31,439)
Capital expenditure (Note 6)	6,020	1,391	–	–	7,411

Segment assets consist primarily of property, plant and equipment, goodwill, inventories, financial assets at fair value through profit or loss, trade and other receivables and operating cash. They exclude deferred income tax assets.

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

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

Secondary reporting format – business segments

No business segment analysis is presented as the Group has been operating in a single business segment, which is publication, marketing and distribution of Chinese language lifestyle magazines, throughout the years ended 31st March 2008 and 2007.

For the year ended 31st March 2008

6 PROPERTY, PLANT AND EQUIPMENT

	Group				
	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1st April 2006					
Cost	1,172	1,587	3,786	–	6,545
Accumulated depreciation	(205)	(667)	(1,212)	–	(2,084)
Net book amount	967	920	2,574	–	4,461
Year ended 31st March 2007					
Opening net book amount	967	920	2,574	–	4,461
Exchange differences	54	21	75	(1)	149
Additions	2,874	1,359	2,197	981	7,411
Disposals (Note 25)	–	–	(33)	–	(33)
Depreciation (Note 19)	(454)	(682)	(1,289)	(89)	(2,514)
Closing net book amount	3,441	1,618	3,524	891	9,474
At 31st March 2007					
Cost	4,136	2,990	6,091	981	14,198
Accumulated depreciation	(695)	(1,372)	(2,567)	(90)	(4,724)
Net book amount	3,441	1,618	3,524	891	9,474
Year ended 31st March 2008					
Opening net book amount	3,441	1,618	3,524	891	9,474
Exchange differences	77	31	109	65	282
Additions	–	1,121	1,563	769	3,453
Disposals (Note 25)	–	(31)	(39)	(299)	(369)
Depreciation (Note 19)	(548)	(843)	(1,629)	(275)	(3,295)
Closing net book amount	2,970	1,896	3,528	1,151	9,545
At 31st March 2008					
Cost	4,271	4,078	7,702	1,450	17,501
Accumulated depreciation	(1,301)	(2,182)	(4,174)	(299)	(7,956)
Net book amount	2,970	1,896	3,528	1,151	9,545

Depreciation expense of HK$3,295,000 (2007: HK$2,514,000) has been charged in cost of goods sold.

For the year ended 31st March 2008

7 GOODWILL

	Total
	HK$'000
At 31st March 2006, 2007 and 2008	
Cost	2,028
Accumulated amortisation and impairment	–
Net book amount	2,028

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

The recoverable amount of this CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Key assumptions used for value-in-use calculations are around 22% for average growth rate and 10% for the discount rate. Management determined budgeted gross margin based on past performance and its expectations for the market development. The growth rates used are consistent with the industry forecasts. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

8 INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost (Note (a))	**353,400**	353,400
Amounts due from subsidiaries (Note (b))	**58,751**	49,436
	412,151	402,836

For the year ended 31st March 2008

8 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at 31st March 2008:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
One Media Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	20,000 ordinary shares of US$0.01 each	[1]100%
Top Plus Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US$1 each	100%
Ming Pao Magazines Limited	Hong Kong, limited liability company	Magazines publishing in Hong Kong	165,000 ordinary shares of HK$10 each	100%
One Media (HK) Limited	Hong Kong, limited liability company	Dormant	10 ordinary shares of HK$1 each	100%
Media2U Company Limited	Hong Kong, limited liability company	Magazines advertising and operation in Hong Kong	101 ordinary shares of HK$1 each	100%
One Media Group (HK) Limited	Hong Kong, limited liability company	Dormant	100 ordinary shares of HK$1 each	100%
Media2U (BVI) Company Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Media2U (Beijing) Company Limited ("Media2U (Beijing)") (展鵬共創媒體諮詢(北京)有限責任公司)	PRC, limited liability company	Magazines operation in PRC	Registered capital of US$70,000	100%
Beijing Times Resource Technology Consulting Limited ("TRT") (北京新時代潤誠科技諮詢有限公司)	PRC, limited liability company	Magazines operation in PRC	Registered capital of RMB3,000,000	[2]100%
Beijing Times Resource Advertising Company Limited ("TRA") (北京時代潤誠廣告有限公司)	PRC, limited liability company	Dormant	Registered capital of RMB3,500,000	[2]100%
Beijing OMG M2U Advertising Company Limited ("Beijing M2U") (北京萬華共創廣告有限公司)	PRC, limited liability company	Magazines advertising in PRC	Registered capital of RMB30,000,000	100%

For the year ended 31st March 2008

8 INTERESTS IN SUBSIDIARIES *(Continued)*

(a) The following is a list of the principal subsidiaries at 31st March 2008: *(Continued)*

[1] Shares held directly by the Company.

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

(b) Amounts due from subsidiaries

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

9 INVENTORIES

	Group	
	2008	2007
	HK$'000	HK$'000
Raw materials	**10,082**	10,989

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$66,458,000 (2007: HK$69,281,000) (Note 19).

For the year ended 31st March 2008

10 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables HK$'000	Assets at fair value through the profit or loss HK$'000	Total HK$'000
Assets			
At 31st March 2008			
Trade receivables (Note 11)	58,172	–	58,172
Other receivables	590	–	590
Financial Assets at fair value through profit or loss (Note 12)	–	4,409	4,409
Cash and cash equivalents (Note 13)	106,239	–	106,239
Total	165,001	4,409	169,410
At 31st March 2007			
Trade receivables (Note 11)	52,788	–	52,788
Other receivables	551	–	551
Financial Assets at fair value through profit or loss (Note 12)	–	3,776	3,776
Cash and cash equivalents (Note 13)	91,357	–	91,357
Total	144,696	3,776	148,472

	Other financial liabilities HK$'000
Liabilities	
At 31st March 2008	
Trade and other payables	26,860
Amounts due to fellow subsidiaries (Note 16)	2,456
Total	29,316
At 31st March 2007	
Trade and other payables	26,187
Amounts due to fellow subsidiaries (Note 16)	3,142
Total	29,329

For the year ended 31st March 2008

10 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

Company

	Loans and receivables HK$'000
Assets	
At 31st March 2008	
Other receivables	313
Cash and cash equivalents (Note 13)	84,149
Total	84,462
At 31st March 2007	
Other receivables	280
Cash and cash equivalents (Note 13)	55,349
Total	55,629

	Other financial liabilities HK$'000
Liabilities	
At 31st March 2008	
Trade and other payables	17
At 31st March 2007	
Trade and other payables	52

For the year ended 31st March 2008

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**58,721**	54,282	**–**	–
Less: provision for impairment of trade receivables	**(549)**	(1,494)	**–**	–
Trade receivables – net	**58,172**	52,788	**–**	–
Prepayments and deposits	**5,494**	5,388	**313**	280
	63,666	58,176	**313**	280

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

The Group allows in general a credit period ranging from 60 days to 120 days to its trade customers. At 31st March 2008 and 2007, the ageing analysis of the Group's trade receivables, net of impairment provision, was as follows:

	2008	2007
	HK$'000	HK$'000
0 to 60 days	**30,525**	29,347
61 to 120 days	**14,866**	14,337
121 to 180 days	**9,770**	6,089
Over 180 days	**3,011**	3,015
	58,172	52,788

Trade receivables that are neither past due nor impaired amounted to HK$25,218,000 (2007: HK$23,718,000). These balances relate to a wide range of customers for whom there was no recent history of default.

There is no concentration of credit risk with respect to trade receivable as it is mitigated by the Group's large customer base.

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the exposure to bad debts. The credit period on trade receivables depending on the business area is 60 to 120 days.

For the year ended 31st March 2008

11 TRADE AND OTHER RECEIVABLES *(Continued)*

Below is an ageing analysis of trade receivables that are past due as at the reporting date but not impaired:

	2008	2007
	HK$'000	HK$'000
Overdue by:		
0 to 60 days	**16,812**	13,976
61 to 120 days	**14,110**	12,651
Over 120 days	**2,032**	2,443
	32,954	29,070

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008	2007
	HK$'000	HK$'000
HK dollars	**47,376**	44,664
RMB	**16,290**	13,512
	63,666	58,176

Movements on the Group's provision for impairment of trade receivables are as follows:

	2008	2007
	HK$'000	HK$'000
At 1st April	**1,494**	1,471
Provision for receivables impairment	**203**	–
Receivables written off during the year as uncollectible	**(1,188)**	–
Currency translation differences	**40**	23
At 31st March	**549**	1,494

For the year ended 31st March 2008

11 TRADE AND OTHER RECEIVABLES *(Continued)*

The creation and release of provision for impaired receivables have been included in "selling and distribution costs" in the consolidated income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

Deposits, prepayments and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables. The group does not hold any collateral as security.

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2008	2007
	HK$'000	HK$'000
Unlisted securities:		
– Equity linked notes	**4,409**	3,776
Market value of unlisted securities	**4,409**	3,776

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

As these instruments are not publicly traded and in the absence of readily available information to determine the fair values of these instruments, the Group has adopted the quotations provided by the issuers as its best estimate of the fair values of these instruments.

Major terms of the equity linked notes are as follows:

The principal amount of the equity linked notes is of US$750,000 (equivalent to HK$5,850,000) with maturity date in November 2009.

The equity linked notes are interest bearing with interest rate stated at 16.75% per annum, subject to the market prices of the underlying securities at certain per-determined price levels.

The equity linked notes are subject to mandatory redemption clauses at various intervals until maturity dates depending on the market prices of Hong Kong listed securities underlying the equity linked notes. The equity linked notes will be redeemed based on the original principal amount.

For the year ended 31st March 2008

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

At maturity date, if the equity linked notes, depending on the market prices of the underlying equity securities and certain predetermined price levels, are still outstanding, the equity linked notes will be redeemed by the issuer at the principal amount in cash or by shares at pre-determined strike price. The equity linked notes are measured at fair value at the balance sheet date which were determined based on the valuation provided by the financial institutions at the balance sheet date.

A loss of the fair value on equity linked notes of HK$1,317,000 (2007: a loss of HK$113,000) is recognised in the administrative expenses in the consolidated income statement.

The maximum exposure to credit risk of the financial assets at fair value through profit or loss at the reporting date is equal to the fair value of the financial assets.

13 CASH AND CASH EQUIVALENTS

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**8,115**	6,994	**581**	32
Short-term bank deposits	**98,124**	84,363	**83,568**	55,317
	106,239	91,357	**84,149**	55,349
Maximum exposure to credit risk	**106,203**	91,192	**84,149**	55,349

The effective interest rate on short-term bank deposits was 3.93% (2007: 4.14%); these deposits have maturity ranged from 7 days to 90 days.

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

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**106,239**	91,357	**84,149**	55,349
	106,239	91,357	**84,149**	55,349

Included in the cash and cash equivalents of the Group are cash and bank deposits denominated in RMB placed with banks in the Mainland China amounting to HK$9,927,000 (2007: HK$9,832,000), of which the remittance is subject to foreign exchange control.

For the year ended 31st March 2008

14 SHARE CAPITAL AND PREMIUM

	Number of shares	Ordinary shares	Share premium	Total
	(in thousands)	HK$'000	HK$'000	HK$'000
At 31st March 2006, 2007 and 2008	400,000	400	456,073	456,473

The total authorised number of ordinary shares is 4,000 million shares (2007: 4,000 million shares) with a par value of HK$0.001 per share (2007: HK$0.001). All issued shares are fully paid.

Share options

The Company has two share option schemes (the "Schemes"). A pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was approved and adopted by shareholders on 26th September 2005. Another share option scheme ("Post-IPO Share Option Scheme") was also approved on the same date, 26th September 2005 by the shareholders of the Company. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms: (a) the subscription price per share was the final Hong Kong dollar price per share at which shares were to be sold in an offer for sale in Hong Kong on the Listing Date and (b) no options would be offered or granted upon the commencement of dealings in the shares of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to the Schemes, the Board of Directors may, at its absolute discretion, grant share options to any full time employees, executive and non-executive directors (including independent non-executive directors) of the Company or the MCI (for so long as the Company remains as a subsidiary of MCI) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The period within which an option may be exercised under each of the Schemes will be determined and notified by the Board of Directors in its absolute discretion (subject to any vesting periods, if applicable), save that no option may be exercised later than 10 years from the date of offer of the option or 10 years after the Adoption Date, whichever is earlier.

For the year ended 31st March 2008

14 SHARE CAPITAL AND PREMIUM *(Continued)*

Share options *(Continued)*

Movements in the number of share options of the Pre-IPO Share Option Scheme outstanding and the average exercise prices are as follows:

	2008		2007	
	Average exercise price in HK$ per share	**Number of share options (in thousands)**	Average exercise price in HK$ per share	Number of share options (in thousands)
At 1st April	1.2	14,082	1.2	14,472
Lapsed	1.2	(304)	1.2	(390)
At 31st March	1.2	13,778	1.2	14,082

The above share options were conditional granted on 27th September 2005 and the exercisable period is from 18th October 2005 to 25th September 2015 with 6,068,000 share options being exercisable as at 31st March 2008 (2007: 3,642,000 share options).

During the year, no share options were granted, exercised or cancelled and 304,000 (2007: 390,000) share options were lapsed.

The fair value of options granted during the year ended 31st March 2006 determined using the Binomial Option valuation model was HK$6,380,000. The significant inputs into the model were share price of HK$1.2 (being the IPO and placing share price of the Group), volatility of the underlying stock of 48% (being the volatility of the stock returns of listed companies in the media industry in Hong Kong), risk-free interest rate of 4.16% (being the yield of 10-year fund note issued by the Hong Kong Monetary Authority as at 23rd September 2005 ("Valuation Date")), forfeiture rate of 5.7% per annum (with reference to historical staff turnover rates of the Company, its subsidiaries, fellow subsidiaries and related companies), and suboptimal exercise factor of 1.4 (being the factor to account the early exercise behavior of the share option).

Share compensation costs on share options granted are amortised over the vesting periods from one year to five years in accordance with terms specified in the Pre-IPO Share Option Scheme, HK$1,777,000 was recognised and specified in the consolidated income statement for the year ended 31st March 2008 (2007: HK$2,587,000).

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15 RESERVES

(a) Group

	Employee share-based payment reserve HK$'000	Merger reserve HK$'000 (Note (i))	Capital reserve HK$'000	Exchange reserve HK$'000	Long service payment reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2006	794	(343,050)	10,000	(338)	(103)	(332,697)	17,604	(315,093)
Currency translation differences	–	–	–	287	–	287	–	287
Actuarial loss on long service payment obligation	–	–	–	–	29	29	–	29
Net income recognised directly in equity	–	–	–	287	29	316	–	316
Profit for the year	–	–	–	–	–	–	3,077	3,077
Total recognised income for the year	–	–	–	287	29	316	3,077	3,393
Share compensation costs on share options granted (Note 20)	2,587	–	–	–	–	2,587	–	2,587
Dividend paid relating to 2005/2006	–	–	–	–	–	–	(1,500)	(1,500)
Balance at 31st March 2007	3,381	(343,050)	10,000	(51)	(74)	(329,794)	19,181	(310,613)
Representing:								
Proposed final dividend for 2006/2007							1,500	
Others							17,681	
Retained earnings as at 31st March 2007							19,181	

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15 RESERVES *(Continued)*

(a) Group *(Continued)*

	Employee share-based payment reserve HK$'000	Merger reserve HK$'000 (Note (i))	Capital reserve HK$'000	Exchange reserve HK$'000	Long service payment reserve HK$'000	Sub-total HK$'000	Retained earnings HK$'000	Total HK$'000
Balance at 1st April 2007	3,381	(343,050)	10,000	(51)	(74)	(329,794)	19,181	(310,613)
Currency translation differences	–	–	–	2,503	–	2,503	–	2,503
Actuarial gain on long service payment obligation	–	–	–	–	(48)	(48)	–	(48)
Net income recognised directly in equity	–	–	–	2,503	(48)	2,455	–	2,455
Profit for the year	–	–	–	–	–	–	12,020	12,020
Total recognised income for the year	–	–	–	2,503	(48)	2,455	12,020	14,475
Share compensation costs on share options granted (Note 20)	1,777	–	–	–	–	1,777	–	1,777
Transfer to retained earnings (Note (ii))	–	–	(10,000)	–	–	(10,000)	10,000	–
Dividend paid relating to 2006/2007	–	–	–	–	–	–	(1,500)	(1,500)
Balance at 31st March 2008	5,158	(343,050)	–	2,452	(122)	(335,562)	39,701	(295,861)

Representing:	
Proposed final dividend for 2007/2008	4,000
Others	35,701
Retained earnings as at 31st March 2008	39,701

For the year ended 31st March 2008

15 RESERVES *(Continued)*

(a) Group *(Continued)*

Note:

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

(i) Merger reserve of the Group mainly represents the difference between the nominal value of the issued capital of One Media Holdings Limited acquired and the fair value of shares allotted as consideration by the Company as part of the Reorganisation in preparing for the public listing of the Company's shares in 2005.

(ii) On 31st July 1992, Ming Pao Magazines Limited ("MPML") assigned the publishing title "City Children's Weekly" to Ming Pao Finance Limited, a fellow subsidiary, for a total consideration of HK$10,000,000. The consideration was determined in accordance with directors' valuation with reference to the consideration paid for the acquisition of MPML by Ming Pao Holdings Limited in July 1992. The amount was transferred to the non-distributable reserve during that year. Since *City Children's Weekly* would cease its business with effect from April 2008, on 31st March 2008, the board of directors of MPML has passed the written resolution to approve the transfer of such non-distributable reserve to the retained earnings of MPML on the same date.

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15 RESERVES *(Continued)*

(b) Company

	Retained earnings HK$'000
Balance at 1st April 2006	1,097
Profit for the year	2,343
Dividend paid relating to 2005/2006	(1,500)
Balance at 31st March 2007	1,940
Representing:	
Proposed final dividend for 2006/2007	1,500
Others	440
	1,940
Balance at 1st April 2007	1,940
Profit for the year	39,683
Dividend paid relating to 2006/2007	(1,500)
Balance at 31st March 2008	40,123
Representing:	
Proposed final dividend for 2007/2008	4,000
Others	36,123
	40,123

For the year ended 31st March 2008

16 TRADE AND OTHER PAYABLES, AND AMOUNTS DUE TO FELLOW SUBSIDIARIES

	Group		Company	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**8,077**	9,707	**–**	–
Accrued expenses and receipts in advance	**20,099**	18,419	**17**	52
	28,176	28,126	**17**	52
Amounts due to fellow subsidiaries (Note 28)	**2,456**	3,142	**–**	–
	30,632	31,268	**17**	52

At 31st March 2008 and 2007, the ageing analysis of the trade payables was as follows:

	2008	2007
	HK$'000	HK$'000
0 to 60 days	**7,152**	8,092
61 to 120 days	**548**	667
121 to 180 days	**340**	674
Over 180 days	**37**	274
	8,077	9,707

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17 DEFERRED INCOME TAX

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

	Group	
	2008	2007
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred tax assets to be recovered within 12 months	**–**	(2,007)
	–	(2,007)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered within 12 months	**525**	508
	525	(1,499)

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

	Group	
	2008	2007
	HK$'000	HK$'000
Beginning of the year	**1,499**	3,739
Charged in the consolidated income statement (Note 21)	**(2,024)**	(2,240)
End of the year	**(525)**	1,499

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17 DEFERRED INCOME TAX *(Continued)*

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

Deferred income tax assets:

	Tax losses
	HK$'000
At 1st April 2006	(4,031)
Charged in the consolidated income statement	2,024
At 31st March 2007	(2,007)
Charged in the consolidated income statement	2,007
At 31st March 2008	–

Deferred income tax liabilities:

	Accelerated depreciation allowances
	HK$'000
At 1st April 2006	292
Charged in the consolidated income statement	216
At 31st March 2007	508
Charged in the consolidated income statement	17
At 31st March 2008	525

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$2,282,000 (2007: HK$1,228,000) in respect of losses amounting to HK$6,100,000 (2007: HK$3,340,000) that can be carried forward against future taxable income. The unrecognised tax losses relating to the PRC subsidiaries will expire by the end of December 2008.

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18 LONG SERVICE PAYMENT

The provision for long service payment represents present value of the obligation under long service payment and respective actuarial gains. The movement during the year is the net-off of current service costs and interest on obligation against long service payment made during the year. Current service costs and interest on obligation were recognised during the year and included in employee benefit expense (Note 20).

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

	2008	2007
	HK$'000	HK$'000
Present value of the long service payment obligation	**140**	78

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

	2008	2007
	HK$'000	HK$'000
Beginning of the year	**78**	90
Current service cost	**11**	25
Interest cost	**3**	4
Long service payment made during the year	**–**	(12)
Actuarial loss/(gain) on obligation	**48**	(29)
End of the year	**140**	78

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

	2008	2007
	HK$'000	HK$'000
Beginning of the year	**78**	90
Charged to the consolidated income statement (Note 20)	**14**	29
Charged/(credited) to the consolidated statement of recognised income and expense	**48**	(29)
Long service payment made during the year	**–**	(12)
End of the year	**140**	78

For the year ended 31st March 2008

18 LONG SERVICE PAYMENT *(Continued)*

Consolidated statement of recognised income and expense is as follows:

	2008 HK$'000	2007 HK$'000
Cumulative amount of actuarial loss at beginning of the year	**(74)**	(103)
Net actuarial (loss)/gain during the year	**(48)**	29
Cumulative amount of actuarial losses at end of the year	**(122)**	(74)

The principal actuarial assumptions used were as follows:

	2008	2007
Average future working lifetime (in years)	**9**	8
Discount rate (%)	**2.6**	4.25
Expected rate of return of assets (%)	**4.0 to 7.0**	4.0 to 6.0
Expected rate of future salary increases (%)		
– 2008 to 2009 (2007: 2007 to 2008)	**3.0**	3.0
– 2010 and onwards (2007: 2009 and onwards)	**4.0**	4.0

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

	2008 HK$'000	2007 HK$'000
As at 31st March		
Present value of the long service payment obligation	**140**	78
Experience adjustment on the long service payment obligation	**13**	28

For the year ended 31st March 2008

19 EXPENSES BY NATURE

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

	2008	2007
	HK$'000	HK$'000
Depreciation (Note 6)	**3,295**	2,514
Employee benefit expense (including directors' emoluments) (Note 20)	**62,787**	63,337
Raw materials used	**66,458**	69,281
Loss on disposal of property, plant and equipment	**80**	30
Occupancy costs	**3,857**	3,867
Auditor's remuneration	**882**	795
Others	**68,389**	77,446
	205,748	217,270

20 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2008	2007
	HK$'000	HK$'000
Wages and salaries	**56,480**	54,399
Social security costs (Note a)	**1,869**	1,940
Share compensation costs on share options granted (Note 14)	**1,777**	2,587
Pension costs – defined contribution plans and MPF (Note 28 (i))	**1,537**	1,712
Staff welfare and allowances	**1,124**	2,699
	62,787	63,337

(a) Social security costs

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

For the year ended 31st March 2008

20 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

(Continued)

(b) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31st March 2008 is set out below:

Name of Director	Fees	Salary	Bonuses	Employer's contribution to pension scheme	Share compensation costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. TIONG Kiu King	–	–	–	–	166	166
Mr. TIONG Kiew Chiong	–	–	144	–	166	310
Mr. Peter Bush BRACK	–	1,669	81	12	166	1,928
Mr. TUNG Siu Ho, Terence	–	1,692	459	85	133	2,369
Mr. Robert William Hong-San YUNG	–	371	18	12	133	534
Independent Non-Executive Directors						
Mr. YU Hon To, David	120	–	–	–	20	140
Mr. SIT Kien Ping, Peter	120	–	–	–	20	140
Mr. TAN Hock Seng, Peter	120	–	–	–	20	140

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

(b) Directors' and senior management's emoluments *(Continued)*

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

Name of Director	Fees	Salary	Bonuses	Employer's contribution to pension scheme	Share compensation costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. TIONG Kiu King	–	–	–	–	213	213
Mr. TIONG Kiew Chiong	–	–	–	–	213	213
Mr. Peter Bush BRACK	–	1,620	–	12	213	1,845
Mr. TUNG Siu Ho, Terence	–	1,620	47	81	171	1,919
Mr. Robert William Hong-San YUNG	–	850	–	12	171	1,033
Independent Non-Executive Directors						
Mr. YU Hon To, David	120	–	–	–	26	146
Mr. SIT Kien Ping, Peter	120	–	–	–	26	146
Mr. TAN Hock Seng, Peter	120	–	–	–	26	146

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2007: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2007: 3) individuals during the year are as follows:

	2008	2007
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**4,613**	4,271
Discretionary bonuses	**363**	74
Contributions to pension scheme	**136**	130
Share compensation costs on share options granted	**246**	316
	5,358	4,791

For the year ended 31st March 2008

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

(c) Five highest paid individuals *(Continued)*

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

	Number of individuals	
	2008	2007
	HK$'000	HK$'000
Emolument bands		
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	2
HK$2,000,001 – HK$2,500,000	**1**	–

21 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit during the year ended 31st March 2008. No provision for Hong Kong profits tax has been made as the Group has available tax losses brought forward from prior years to offset the assessable profits generated during the year ended 31st March 2007.

No provision for the PRC enterprise income tax has been made as the Group has no assessable profits generated during the years ended 31st March 2008 and 31st March 2007.

	2008	2007
	HK$'000	HK$'000
Hong Kong profits tax		
– current income tax	**(3,959)**	–
– underprovisions in prior years	**–**	(132)
PRC enterprise income tax		
– underprovisions in prior years	**(4)**	(8)
Deferred income tax (Note 17)		
– current deferred income tax charge	**(2,024)**	(2,241)
	(5,987)	(2,381)

For the year ended 31st March 2008

21 INCOME TAX EXPENSE *(Continued)*

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

	2008	2007
	HK$'000	HK$'000
Profit before income tax	**18,007**	5,458
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(2,186)**	(1,311)
Income not subject to tax	**634**	570
Expenses not deductible for tax purposes	**(1,648)**	(912)
Tax losses for which no deferred income tax asset was recognised	**(2,783)**	(588)
Underprovisions in prior years	**(4)**	(140)
Tax expense	**(5,987)**	(2,381)

The weighted average applicable tax rate was 12.1% (2007: 24%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the PRC.

22 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$39,683,000 (2007: HK$2,343,000).

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23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 14).

	2008	2007
	HK$'000	HK$'000
Profit attributable to equity holders of the Company	**12,020**	3,077
Weighted average number of ordinary shares in issue (in thousands)	**400,000**	400,000
Basic earnings per share (HK cents per share)	**3.01**	0.77

The calculation of basic earnings per share for the year is based on the Group's profit attributable to the equity holders of the Company and the weighted average number of ordinary shares.

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

24 DIVIDENDS

The dividends paid were HK$1,500,000 (HK0.375 cent per share) during the years ended 31st March 2008 and 2007 in respect of the years ended 31st March 2007 and 2006. The Directors recommend the payment of a final dividend of HK1 cent per share, totalling HK$4,000,000. Such dividend is to be approved by the shareholders at the Annual General Meeting on 26th August 2008. These consolidated financial statements do not reflect this dividend payable but accounted for it as proposed dividend.

	2008	2007
	HK$'000	HK$'000
Proposed final dividend of HK1 cent (2007: HK0.375 cent) per ordinary share	**4,000**	1,500

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25 CASH GENERATED FROM OPERATIONS

	2008 HK$'000	2007 HK$'000
Profit before income tax	**18,007**	5,458
Adjustments for:		
– Depreciation (Note 6)	**3,295**	2,514
– Loss on disposal of property, plant and equipment (see below)	**80**	30
– Interest income (Note 5)	**(3,856)**	(3,299)
– Share compensation costs on share options granted	**1,777**	2,587
– Change in fair value of financial assets at fair value through profit or loss	**1,317**	113
– Foreign exchange losses on operating activities	**2,107**	–
– Costs related to long service payment scheme	**14**	17
Changes in working capital:		
– Decrease in inventories	**907**	88
– Increase in trade and other receivables	**(5,490)**	(6,161)
– (Decrease)/increase in amounts due to fellow subsidiaries	**(686)**	740
– Increase in trade and other payables	**50**	3,003
Cash generated from operations	**17,522**	5,090

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

	2008 HK$'000	2007 HK$'000
Net book amount (Note 6)	**369**	33
Loss on disposal of property, plant and equipment	**(80)**	(30)
Proceeds from disposal of property, plant and equipment	**289**	3

For the year ended 31st March 2008

26 COMMITMENTS

Operating lease commitments

The Group leases various offices, staff quarters and warehouses under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2008	2007
	HK$'000	HK$'000
No later than 1 year	**3,050**	3,067
Later than 1 year and no later than 5 years	**2,318**	4,635
	5,368	7,702

There is no capital and operating lease commitment for the Company as at 31st March 2008 (2007: Nil).

27 BANK FACILITIES

The Group has the following undrawn bank facilities:

	Group	
	2008	2007
	HK$'000	HK$'000
Floating rate		
– expiring within one year	**41,000**	40,583

The facilities expiring within one year are annual facilities subject to review at various dates during 2008.

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28 RELATED-PARTY TRANSACTIONS

The ultimate parent of the Company is MCI, a company incorporated in Bermuda.

The following transactions were carried out with related parties:

(i) During the year ended 31st March 2008, the Group had entered into the following significant transactions with fellow subsidiaries:

	Note	2008 HK$'000	2007 HK$'000
License fee	*a*	**13,005**	14,317
Circulation support services	*b*	**1,552**	1,777
Library support fee	*c*	**394**	361
Editorial support fee	*d*	**84**	241
IS programming support services	*e*	**617**	663
Administrative support services	*f*	**1,920**	1,932
Human resources, corporate communications and legal services	*g*	**678**	696
Leasing of computers and other office equipment	*h*	**207**	242
Leasing of office space, storage space and parking spaces	*i*	**1,805**	1,824
Type-setting expenses	*j*	**103**	126
Colour separation expenses	*k*	**72**	934
Film making expenses	*l*	**239**	617
Ticketing and accommodation expenses	*m*	**996**	828
Barter advertising expenses	*n*	**1,293**	1,000
Barter advertising income	*o*	**(1,293)**	(1,000)
Printing costs	*p*	**135**	407
Promotion expenses	*q*	**150**	83
Pension costs – defined contribution plan	*r*	**1,537**	1,712
		23,494	26,760

For the year ended 31st March 2008

28 RELATED-PARTY TRANSACTIONS *(Continued)*

(i) During the year ended 31st March 2008, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

Note:

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

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

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

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

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

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

(g) This represented recharge of human resources, corporate communications and legal services by a fellow subsidiary. It is charged on a cost reimbursement basis.

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

For the year ended 31st March 2008

28 RELATED-PARTY TRANSACTIONS *(Continued)*

(i) During the year ended 31st March 2008, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

Note: *(Continued)*

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

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

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

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

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

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

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

(p) This represented the printing costs of *"T3科技新時代"* charged by a fellow subsidiary. It is charged at a pre-determined rate calculated based on the costs incurred.

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

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

For the year ended 31st March 2008

28 RELATED-PARTY TRANSACTIONS *(Continued)*

(ii) Year end balance arising from the related-party transactions as disclosed in Note 28 (i) above was as follows:

	2008 HK$'000	2007 HK$'000
Amounts due to fellow subsidiaries	**2,456**	3,142

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

(iii) Key management compensation

	2008 HK$'000	2007 HK$'000
Salaries and other short-term employee benefits	**5,894**	5,372
Contributions to pension scheme	**121**	117
Share compensation costs on share options granted	**898**	1,152
	6,913	6,641

29 SUBSEQUENT EVENTS

(a) In July 2008, Media2U Company Limited, a subsidiary of the Company, transferred RMB5,884,000 (approximately HK$6,652,000) for injection of additional capital to its subsidiary, Media2U (Beijing). The verification of capital injection is in progress.

(b) The entire issued share capital of Winmax Resources Limited ("Winmax") is owned as to 85.027% and 14.973% by Starsome Limited ("Starsome") and RGM Ventures Limited ("RGM"). Starsome and RGM being the shareholders, agreed to wind up Winmax by way of the members' voluntary winding up. On this basis and pursuant to an agreement dated 18th March 2008 entered into among i) MCI, ii) Starsome, iii) Redgate Media Inc., iv) Redgate Media (HK) Limited, v) RGM, vi) Peter Bush BRACK, vii) Robert William Hong-San YUNG and viii) ZHU Ying, Winmax would distribute its holding of 295,600,000 shares of the Company as to 251,339,812 shares to Starsome and 44,260,188 shares to RGM on completion of the winding-up. On 26th May 2008, Winmax was dissolved.

FIVE-YEAR FINANCIAL SUMMARY

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

	For the year ended 31st March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**219,899**	219,429	187,975	177,115	151,564
Profit attributable to the equity holders of the Company	**12,020**	3,077	7,027	22,386	21,223
Basic earnings per share	**3.01 cents**	0.77 cent	2.05 cents	7.58 cents	NA

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

	As at 31st March				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Goodwill	**2,028**	2,028	2,028	2,028	–
Property, plant and equipment	**9,545**	9,474	4,461	2,626	1,102
Defined benefit plan's assets	**–**	–	–	924	936
Financial asset at fair value through profit or loss	**4,409**	3,776	–	–	–
Deferred income tax assets	**–**	1,499	3,739	–	–
Current assets	**179,987**	160,522	159,218	59,454	48,834
Current liabilities	**(34,692)**	(31,361)	(27,976)	(42,059)	(36,474)
Net current assets	**145,295**	129,161	131,242	17,395	12,360
Total assets less current liabilities	**161,277**	145,938	141,470	22,973	14,398
Long service payment liability	**(140)**	(78)	(90)	(9)	(6)
Deferred income tax liabilities	**(525)**	–	–	(241)	(75)
Capital and reserves attributable to the equity holders of the Company	**160,612**	145,860	141,380	22,723	14,317

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