One Media Group **Interim Report 2008**

万华媒体

二〇〇八年中期報告

One Media Group Limited
萬華媒體集團有限公司

Stock Code 股份代號：426

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

		(Unaudited) Six months ended 30th September	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Turnover	*4*	**102,068**	101,189
Cost of goods sold		**(52,444)**	(60,420)
Gross profit		**49,624**	40,769
Other income	*4*	**1,948**	2,076
Selling and distribution costs		**(23,673)**	(23,356)
Administrative expenses		**(20,819)**	(16,148)
Profit before income tax	*5*	**7,080**	3,341
Income tax expense	*6*	**(3,069)**	(1,970)
Profit for the period		**4,011**	1,371
Attributable to:			
Equity holders of the Company		**4,011**	1,371
Earnings per share attributable to the equity holders of the Company during the period (expressed in HK cent per share)			
– Basic and diluted	*7*	**1**	0.34
Dividends	*8*	**2,400**	–

The notes on pages 5 to 12 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH SEPTEMBER 2008

	Note	(Unaudited) 30th September 2008 HK$'000	(Audited) 31st March 2008 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**8,504**	9,545
Intangible assets		**2,073**	2,028
Financial assets at fair value through profit or loss	9	**–**	4,409
		10,577	15,982
Current assets			
Inventories		**13,075**	10,082
Trade and other receivables	10	**60,934**	63,666
Cash and cash equivalents		**111,768**	106,239
		185,777	179,987
Total assets		**196,354**	195,969
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	**400**	400
Share premium	12	**456,073**	456,073
Other reserves	13	**(334,452)**	(335,562)
Retained earnings			
– Proposed dividend		**2,400**	4,000
– Others		**37,312**	35,701
Total equity		**161,733**	160,612
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**445**	525
Long service payment liability		**140**	140
		585	665
Current liabilities			
Trade and other payables	11	**23,007**	28,176
Amounts due to fellow subsidiaries		**3,821**	2,456
Income tax liabilities		**7,208**	4,060
		34,036	34,692
Total liabilities		**34,621**	35,357
Total equity and liabilities		**196,354**	195,969
Net current assets		**151,741**	145,295
Total assets less current liabilities		**162,318**	161,277

The notes on pages 5 to 12 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

		(Unaudited) Six months ended 30th September	
		2008	2007
	Note	***HK$'000***	*HK$'000*
Currency translation differences	*13*	**657**	1,091
Net income recognised directly in equity		**657**	1,091
Profit for the period		**4,011**	1,371
Total recognised income for the period		**4,668**	2,462
Attributable to:			
Equity holders of the Company		**4,668**	2,462

The notes on pages 5 to 12 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2008

	(Unaudited) Six months ended 30th September	
	2008	2007
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**9,146**	(98)
Net cash generated from investing activities	**391**	4,174
Net cash used in financing activities	**(4,000)**	(1,500)
Net increase in cash and cash equivalents and bank overdraft	**5,537**	2,576
Net cash and cash equivalents at the beginning of the period	**106,239**	91,357
Exchange loss on cash and cash equivalents	**(8)**	(93)
Cash and cash equivalents at the end of the period	**111,768**	93,840
Analysis of the balances of cash and cash equivalents and bank overdrafts		
Cash and cash equivalents	**111,768**	94,014
Bank overdrafts	**–**	(174)
	111,768	93,840

The notes on pages 5 to 12 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are publication, marketing and distribution of Chinese language lifestyle magazines.

This unaudited condensed consolidated interim financial information ("Interim Financial Information") is presented in thousand of units of Hong Kong dollars (HK$'000) unless otherwise stated. This Interim Financial Information has been approved for issue by the Board of Directors on 27th November 2008.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30th September 2008 is unaudited and has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

This interim financial report should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended 31st March 2008 and the accompanying explanatory notes attached to this interim financial report.

3 ACCOUNTING POLICIES

The preparation of this Interim Financial Information in conformity with International Financial Reporting Standards ("IFRSs") 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 accounting policies adopted are consistent with those used in the audited consolidated annual financial statements of the Group for the year ended 31st March 2008.

The adoption of the new IFRSs effective for the financial year beginning 1st April 2008 has no material effect on the financial position or performance of the Group.

The Group has not yet early applied and adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new IFRSs in the period of the initial application.

		Effective for accounting periods beginning on or after
IFRIC – Int 13	Customer loyalty programmes	1st July 2008
IFRIC – Int 15	Agreements for the construction of real estate	1st January 2009
IFRIC – Int 16	Hedges of a net investment in a foreign operation	1st October 2008
IAS 1 (Revised)	Presentation of financial statements	1st January 2009
IAS 23 (Revised)	Borrowing costs	1st January 2009
IAS 32 and IAS 1 Amendment	Puttable financial instruments and obligations arising on liquidation	1st January 2009
Amendments to IFRS 1 and IAS 27	Cost of an investment in a subsidiary, jointly controlled entity or associate	1st January 2009
IFRS 2 Amendment	Share-based payment vesting conditions and cancellations	1st January 2009
IFRS 8	Operating segments	1st January 2009
IAS 27 (Revised)	Consolidated and separate financial statements	1st July 2009
IFRS 3 (Revised)	Business combinations	1st July 2009
Amendment to IAS 39	Financial instruments: Recognition and measurement – Eligible hedged items	1st July 2009
IFRS 3 – Appendix C	Impairment testing cash-generating units with goodwill and non-controlling interests	1st July 2009

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION

Primary reporting format – geographical segments

The Group operates mainly in two geographical areas, Hong Kong and Mainland China. The segment results for the six months ended 30th September 2008 and 2007 are as follows:

	(Unaudited) Six months ended 30th September					
	Hong Kong		Mainland China		Group	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment turnover	**88,109**	85,310	**13,959**	15,879	**102,068**	101,189
Segment results	**18,316**	15,355	**(7,590)**	(7,690)	**10,726**	7,665
Other income					**1,948**	2,076
Unallocated expenses *(Note)*					**(5,594)**	(6,400)
Profit before income tax					**7,080**	3,341
Income tax expense					**(3,069)**	(1,970)
Profit for the period					**4,011**	1,371

Note: Corporate expenses incurred by the Group in the current period are classified as unallocated expenses.

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 six months ended 30th September 2008 and 2007.

5 PROFIT BEFORE INCOME TAX

The following items have been charged to the profit before income tax during the six months ended 30th September 2008:

	(Unaudited) Six months ended 30th September	
	2008	2007
	HK$'000	*HK$'000*
Raw materials used	**26,779**	31,934
Depreciation	**1,699**	1,565
Employee benefit expenses (including directors' emoluments)	**30,188**	32,259
Loss on disposal of property, plant and equipment	**45**	40

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year.

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

No provision for the People's Republic of China ("PRC") enterprise income tax has been made as the Group has no assessable profits generated during the six months ended 30th September 2008 (2007: Nil).

	(Unaudited) Six months ended 30th September	
	2008	2007
	HK$'000	*HK$'000*
Hong Kong profits tax		
– current income tax charge	**3,148**	291
Deferred income tax		
– current deferred income tax (credit)/charge	**(79)**	1,679
	3,069	1,970

7 EARNINGS PER SHARE

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

	(Unaudited) Six months ended 30th September	
	2008	2007
	HK$'000	*HK$'000*
Profit attributable to the equity holders of the Company	**4,011**	1,371
Weighted average number of ordinary shares in issue (in thousands)	**400,000**	400,000
Earnings per share (HK cent per share)	**1**	0.34

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

8 DIVIDENDS

The Directors have declared an interim dividend of HK0.6 cent (2007: Nil) per ordinary share, totalling HK$2,400,000 payable on 15th January 2009 to shareholders whose names appear on the register of members of the Company on 5th January 2009.

A final dividend of HK1 cent per share for the year ended 31st March 2008 (2007: HK0.375 cent), totalling HK$4,000,000 was paid on 10th September 2008 (2007: HK$1,500,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited) 30th September 2008 ***HK$'000***	(Audited) 31st March 2008 *HK$'000*
Unlisted securities:		
– Equity linked notes	**–**	4,409
Market value of unlisted securities	**–**	4,409

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.

The principal amount of the equity linked notes is 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 pre-determined price levels.

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 quotation provided by the issuer's agent as its best estimate of the fair values of these instruments. Accordingly, a loss of the fair value on equity linked notes of HK$4,409,000 (2007: a gain of HK$113,000) is recognised in the administrative expenses in the unaudited condensed consolidated interim income statement.

10 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and their ageing analysis is as follows:

	(Unaudited) 30th September 2008 ***HK$'000***	(Audited) 31st March 2008 *HK$'000*
0 to 60 days	**32,237**	30,525
61 to 120 days	**12,110**	14,866
121 to 180 days	**4,439**	9,770
Over 180 days	**3,223**	3,011
	52,009	58,172

The Group allows in general a credit period ranging from 60 days to 120 days to its trade customers.

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	(Unaudited) 30th September 2008 *HK$'000*	(Audited) 31st March 2008 *HK$'000*
0 to 60 days	**4,854**	7,152
61 to 120 days	**1,413**	548
121 to 180 days	**232**	340
Over 180 days	**17**	37
	6,516	8,077

12 SHARE CAPITAL

	Number of ordinary shares issued *(in thousands)*	**Ordinary shares issued** *HK$'000*	**Share premium** *HK$'000*	**Total** *HK$'000*
Balance at 30th September 2007, 31st March 2008, 1st April 2008 and 30th September 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 RESERVES

	Other Reserves							
	Employee share-based payment reserve HK$'000	Merger reserve HK$'000 (Note (i))	Capital reserve HK$'000 (Note(ii))	Exchange reserve HK$'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	–	–	–	1,091	–	1,091	–	1,091
Net income recognised directly in equity	–	–	–	1,091	–	1,091	–	1,091
Profit for the period	–	–	–	–	–	–	1,371	1,371
Total recognised income for the period	–	–	–	1,091	–	1,091	1,371	2,462
Share compensation costs on share options granted	1,322	–	–	–	–	1,322	–	1,322
Dividend paid relating to 2006/2007	–	–	–	–	–	–	(1,500)	(1,500)
Balance at 30th September 2007	4,703	(343,050)	10,000	1,040	(74)	(327,381)	19,052	(308,329)
Balance at 1st April 2008	5,158	(343,050)	–	2,452	(122)	(335,562)	39,701	(295,861)
Currency translation differences	–	–	–	657	–	657	–	657
Net income recognised directly in equity	–	–	–	657	–	657	–	657
Profit for the period	–	–	–	–	–	–	4,011	4,011
Total recognised income for the period	–	–	–	657	–	657	4,011	4,668
Share compensation costs on share options granted	453	–	–	–	–	453	–	453
Dividend paid relating to 2007/2008	–	–	–	–	–	–	(4,000)	(4,000)
Balance at 30th September 2008	5,611	(343,050)	–	3,109	(122)	(334,452)	39,712	(294,740)

Note:

(i) Merger reserve of the Group mainly represents the difference between the nominal value of the issued capital of One Media Holdings Limited, a direct wholly-owned subsidiary of the Company, acquired and the fair value of shares allotted as consideration by the Company as part of the group reorganisation in preparing for the public listing of the Company's shares in 2005.

(ii) Since *City Children's Weekly* ceased its business with effect from April 2008, the board of directors of Ming Pao Magazines Limited ("MPML"), an indirect wholly-owned subsidiary of the Company, passed the written resolution on 31st March 2008 to approve the transfer of capital reserve of HK$10,000,000, which was a non-distributable reserve, to the retained earnings of MPML on the same date.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 RELATED PARTY TRANSACTIONS

The ultimate parent of the Company is Media Chinese International Limited ("MCI"), a company incorporated in Bermuda and dually listed in Hong Kong and Malaysia.

The following transactions were carried out with related parties:

(i) During the period ended 30th September 2008, the Group had entered into the following significant transactions with fellow subsidiaries:

		(Unaudited) Six months ended 30th September	
	Note	**2008** **HK$'000**	2007 *HK$'000*
License fee	*a*	**6,132**	5,914
Circulation support services	*b*	**845**	817
Library support fee	*c*	**211**	191
IS programming support services	*d*	**350**	337
Administrative support services	*e*	**1,048**	1,021
Human resources, corporate communications and legal services	*f*	**434**	353
Leasing of computers and other office equipment	*g*	**86**	110
Leasing of office space, storage space and parking spaces	*h*	**901**	901
Ticketing and accommodation expenses	*i*	**725**	421
Barter advertising expenses	*j*	**758**	132
Barter advertising income	*k*	**(511)**	(830)
Pension costs – defined contribution plan	*l*	**783**	751

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* (ceased its business with effect from 1st April 2008), 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 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.

(e) 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 RELATED PARTY TRANSACTIONS *(Continued)*

(i) During the period ended 30th September 2008, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

(g) 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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.

(l) This represented defined contribution cost made to a fellow subsidiary for the Group's pension obligation. There is no stated policy or contractual agreement between the Group and MCI and its subsidiaries (the "MCI Group"). It is charged based on a pre-determined rate of its employees' salaries.

(ii) Period/year end balance arising from the related parties transactions as disclosed in Note 14(i) above was as follows:

	(Unaudited) 30th September 2008 ***HK$'000***	(Audited) 31st March 2008 *HK$'000*
Amounts due to fellow subsidiaries	**3,821**	2,456

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

	(Unaudited) Six months ended 30th September	
	2008 ***HK$'000***	2007 *HK$'000*
Salaries and other short-term employee benefits	**3,175**	2,770
Contributions to pension scheme	**65**	60
Share compensation costs on share options granted	**222**	669
	3,462	3,499

MANAGEMENT DISCUSSION AND ANALYSIS

Results Summary

Despite the volatile operating environment, the Group had been able to maintain a consolidated turnover at HK$102,068,000 for the six months ended 30th September 2008 (2007: HK$101,189,000). The results show the Group's magazines continue to be well received by advertisers and readers.

As noted in the annual results for the last fiscal year, the Group continues with its efforts as in previous years, which are beginning to yield benefits. Ongoing efforts to strengthen the established core businesses and improve efficiency have contributed to an encouraging increase of 193% in profit for the period to HK$4,011,000 (2007: HK$1,371,000). During the period under review, the Group has experienced a one-time loss of fair value on equity linked notes of HK$4,409,000. The profit for the period before this one-time loss of fair value was HK$8,420,000, representing an increase by 514% when compared to the same period last year. Earnings per share improved by 194% to HK1 cent (2007: HK0.34 cent) and the net asset value per share slightly increased by 0.5% to HK40.4 cents (31st March 2008: HK40.2 cents).

Review of Operations

Hong Kong

During the period under review, the Group published two magazines in Hong Kong, namely *Ming Pao Weekly* and *Hi-Tech Weekly*. These titles contributed a combined revenue of HK$88,109,000 (2007: HK$85,310,000), representing a modest 3% increase when compared to the same period last year, while operating profit increased by 19% to HK$18,316,000 (2007: HK$15,355,000), as a result of the increase in advertising income and tight control over operating costs, especially production cost of *Ming Pao Weekly*.

Ming Pao Weekly, the Group's premier entertainment/celebrity/fashion title, reported record high advertising revenue during the period due to a combination of intensive promotion efforts in the run-up to the title's 40th anniversary and a generally positive environment for consumption of branded consumer products in the city during the period. *Ming Pao Weekly's* market positioning continues to be recognised by advertisers of major branded products, and they continue to use the magazine as one of their major promotion channels to inform their customers about their latest product offerings.

Hi-Tech Weekly experienced a significant jump in its circulation by almost 200% since May 2008 simultaneous with reduction on its cover price by half to HK$5 starting from the 500th issue. *Hi-Tech Weekly* continues to strengthen its content. This higher circulation puts the title in a better position to attract more advertising business in the electronics and consumer products category.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Review of Operations *(Continued)*

Mainland China

The operation in Mainland China contributed a turnover of HK$13,959,000 (2007: HK$15,879,000) to the Group, representing a 12% decline when compared to the same period last year, while operating loss slightly decreased by 1% to HK$7,590,000 (2007: HK$7,690,000). Despite the 12% decline in turnover over the period, the operating loss was slightly reduced as a result of tight control over operating costs.

The Group has implemented a revamp on "*MING 明日風尚*" in October 2008 to reinforce its positioning as a window of information for affluent local Chinese to gain knowledge on cutting-edge foreign lifestyle. The revamp not only involved the strengthening of the contents but also dramatically cutting the cover price to RMB10. Regarding the first issue after the revamp, newsstands had reported significantly better sales. Advertisers had given positive feedbacks. The Group believes that the revamp will be positive on advertising sales and the positive impact will start to be reflected in the second half of the fiscal year.

"*Top Gear 汽車測試報告*" ("TGChina") continues to gain benefit from its prestigious positioning as being the official Chinese version of the top-notch United Kingdom motor magazine in Mainland China, gathering stable support from both advertisers and readers. In view of the success of TGChina, the Group launched a Hong Kong version "*Top Gear 極速誌*" in September 2008.

"*Popular Science 科技新時代*" remains the leading magazine in the science infotainment category and continues to have the sustaining support from its loyal readership and advertiser clientele.

New Businesses

The Group extended its footprint to Taiwan during the interim period by launching a Taiwan edition of its proprietary flagship magazine *Ming Pao Weekly* in Taiwan in June 2008 through a licensing arrangement. *Ming Pao Weekly* Taiwan edition has received positive market feedback and is building a strong momentum for going forward. This magazine will hopefully ride on *Ming Pao Weekly's* successful market positioning.

The Group has also decided to revamp *Ming Pao Weekly's* website to offer an online version of the magazine in portable document format in order to cater for readers in overseas markets. This online delivery model has proven success in *Hi-Tech Weekly*, attracting more than 10,000 subscribers.

In addition, the Group has established a dedicated team based in China in charge of exploring opportunities sourcing and distributing multi-media contents via mobile handsets and other electronic means. This is intended to evolve as one of the many ways the Group wishes to commercialise its print contents.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

Outlook

In review of the recent global financial crisis across the world, the Group believes that there will be a significant "flight to quality" in the advertising market during this difficult time when advertisers will cutback their spending on exposures in peripheral publications while keeping or even concentrating their budgets on certain core publications in the market. The Group will take necessary precautions and measures to prepare for the difficult period going ahead and continue to devote more efforts as it has made in the previous years for the benefit of the Group.

The Group believes that its positive financial position enables it to continue exploring acquisitions opportunities of media assets which will assist the Group in creating more value for its stakeholders.

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment for the six months ended 30th September 2008 amounted to HK$711,000.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Group's revenues and costs are mainly denominated in Hong Kong dollars, United States dollars and Renminbi. Since Hong Kong dollars remain pegged to the United States dollars, the Group does not foresee substantial risks from exposure to United States dollars. For subsidiaries in the PRC, most of the sales and purchases are denominated in Renminbi, the exposure to foreign exchange risk is expected to be minimal.

CONTINGENT LIABILITIES

As at 30th September 2008, the Group did not have any material contingent liabilities or guarantees (31st March 2008: Nil).

SHARE OPTIONS

The Company has two share option 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 ("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 18th October 2005 (the "Listing Date"), being the date of the shares of the Company were listed on the Main Board of the Stock Exchange; and (b) no options would be offered or granted upon the commencement of dealings in the shares of the Stock Exchange.

Under the Post-IPO Share Option Scheme, the subscription price per share is a price to be determined by the board of directors of the Company 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 of the Company 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 MCI Group. No share option was granted under the Post-IPO Share Option Scheme during the six months ended 30th September 2008.

SHARE OPTIONS *(Continued)*

Details of the share options outstanding and movements during the six months ended 30th September 2008 are as follows:

Grantee		Number of shares involved in share options: Balance at 31st March 2008	Granted during the period *(Note 3)*	Exercised during the period *(Note 3)*	Lapsed during the period *(Note 4)*	Balance at 30th September 2008	Percentage of issued ordinary shares at 30th September 2008	Exercise price per share HK$	Date of conditional grant	Exercisable period
Directors of the Company:										
Mr. TIONG Kiu King	*(Note 1)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TIONG Kiew Chiong	*(Note 1)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TUNG Siu Ho, Terence	*(Note 1)*	1,000,000	–	–	–	1,000,000	0.25%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. Peter Bush BRACK	*(Note 1)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. YU Hon To, David	*(Note 1)*	150,000	–	–	–	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. SIT Kien Ping, Peter	*(Note 1)*	150,000	–	–	–	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TAN Hock Seng, Peter	*(Note 1)*	150,000	–	–	–	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. Robert William Hong-San YUNG *	*(Note 1)*	1,000,000	–	–	1,000,000	–	–	1.200	27/9/2005	18/10/2005-25/9/2015
		6,200,000	–	–	1,000,000	5,200,000	1.30%			
MCI's directors:										
Tan Sri Datuk TIONG Hiew King	*(Note 1)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Dato' Seri Dr. TIONG Ik King	*(Note 1)*	1,000,000	–	–	–	1,000,000	0.25%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. Victor YANG	*(Note 1)*	150,000	–	–	–	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TANG Ying Yu #	*(Note 1)*	150,000	–	–	150,000	–	–	1.200	27/9/2005	18/10/2005-25/9/2015
		2,550,000	–	–	150,000	2,400,000	0.60%			
Full time employees	*(Note 1)*	4,100,000	–	–	–	4,100,000	1.03%	1.200	27/9/2005	18/10/2005-25/9/2015
Full time employees	*(Note 2)*	928,000	–	–	24,000	904,000	0.22%	1.200	27/9/2005	18/10/2005-25/9/2015
Total		13,778,000	–	–	1,174,000	12,604,000	3.15%			

* Mr. Robert William Hong-San YUNG resigned as executive director and Chief Strategy Officer of the Company on 1st May 2008.

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

Notes:

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

1. 20% of the Company's 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

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

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

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

4. During the period, 1,174,000 share options have lapsed by reason of the grantees ceased to be directors and full time employees of the Group or MCI Group.

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

As at 30th September 2008, the interests or short position 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 Listing Rules were as follows:

(a) Interests in the Company's shares

	Number of shares/underlying shares held						
Name of director	Personal interests	Family interests	Corporate interests	Total interests in shares	Interests in underlying shares pursuant to shares options *(Note)*	Aggregate interests	Percentage of interest as at 30th September 2008
Mr. TIONG Kiu King	–	–	–	–	1,250,000	1,250,000	0.31%
Mr. TIONG Kiew Chiong	3,750,000	–	–	3,750,000	1,250,000	5,000,000	1.25%
Mr TUNG Siu Ho, Terence	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. Peter Bush BRACK	110,000	–	–	110,000	1,250,000	1,360,000	0.34%
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 the share options, please refer to the paragraph "Share Options".

(b) Interests in shares in MCI

	Number of shares/underlying shares held						
Name of director	Personal interests	Family interests	Corporate interests	Total interests in shares	Deemed interests in MCI's shares pursuant to share options *(Note)*	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 30th September 2008
Mr. TIONG Kiu King	2,454,559	147,000	–	2,601,559	600,000	3,201,559	0.19%
Mr. TIONG Kiew Chiong	5,088,783	–	–	5,088,783	600,000	5,688,783	0.34%

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: 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 as follows:

Name of director	Underlying MCI's shares pursuant to share options	Approximate percentage of interest in MCI	Exercise price per MCI's share *HK$*	Date of grant	Exercisable period
Mr. TIONG Kiu King	300,000	0.018%	1.592	31/8/2001	1/9/2001-20/8/2011
Mr. TIONG Kiu King	300,000	0.018%	1.800	15/9/2003	16/9/2003-20/8/2011
Mr. TIONG Kiew Chiong	300,000	0.018%	1.592	31/8/2001	1/9/2001-20/8/2011
Mr. TIONG Kiew Chiong	300,000	0.018%	1.800	15/9/2003	16/9/2003-20/8/2011

Save as disclosed above and those disclosed under the paragraph "Share Options", as at 30th September 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 30th September 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 30th September 2008
Starsome Limited *(Note 1)*	251,339,812	Beneficial owner	62.83%
RGM Ventures Limited *(Note 2)*	44,260,188	Beneficial owner	11.07%
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.

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

Notes:

1. Starsome Limited is an indirect wholly-owned subsidiary of MCI. Tan Sri Datuk TIONG Hiew King, a director of MCI, is deemed interested in MCI in an aggregate of 33.09% by virtue of his personal interests, family interests and corporate interests. Dato' Seri Dr. TIONG Ik King, a director of MCI, is deemed interested in MCI in an aggregate of 15.58% by virture of his personal interests and corporate interests.

   In addition, MCI is directly held as to (i) 9.15% by Zaman Pemimpin Sdn Bhd which is jointly owned by Sharifah Rokayah Binti WAN OTHMAN and Salleh Bin DELAMID, and (ii) 19.39% by Progresif Growth Sdn Bhd which is a wholly-owned subsidiary of Tiong Toh Siong Holdings Sdn Bhd.

2. RGM Ventures Limited is an indirect wholly-owned subsidiary of Redgate Media Inc.

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 Mr. HUNG Kam Biu and Ms. CHU Jocelyn. In addition, 20,592,000 shares out of the total shares held by TAML are beneficially owned by Trophy Fund which is managed by TAML.

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 30th September 2008.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th September 2008.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Tuesday, 30th December 2008 to Monday, 5th January 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK0.6 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 Monday, 29th December 2008.

EMPLOYEES

As at 30th September 2008, the Group had approximately 244 employees (31st March 2008: approximately 243 employees), of which 161 and 83 were stationed in Hong Kong and in Mainland China, respectively. The Group remunerates its employees based on the operating results, individual performance and comparable market statistics. The emoluments of the directors and senior management are reviewed by the Remuneration Committee regularly. The Company has implemented share option schemes as an incentive to the directors and eligible employees.

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules and complied with the code provisions in the CG Code for the six months ended 30th September 2008.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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 Directors have confirmed, following specific enquiries by the Company, their compliance with the required standard as set out in the Model Code for the six months ended 30th September 2008.

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.

AUDIT COMMITTEE

The Company established an Audit Committee on 26th September 2005 with written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30th September 2008.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 26th September 2005 with written terms of reference. The Remuneration Committee currently comprises three independent non-executive directors, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter and one executive director, Mr. TIONG Kiew Chiong.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 26th September 2005 with written terms of reference. The Nomination Committee currently comprises three independent non-executive directors, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter and one executive director, Mr. TIONG Kiew Chiong.

By Order of the Board

TIONG Kiu King
Director

Hong Kong, 27th November 2008

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