# 万华媒体

二〇〇九年年報

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

Stock Code 股份代號：426

# CONTENTS

# Corporate Information

## EXECUTIVE DIRECTORS
Mr. TIONG Kiu King *(Chairman)*
Mr. TIONG Kiew Chiong
Mr. 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
Bank of Communications Company, Limited (Hong Kong Branch)

## 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 Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

## STOCK CODE
426

## WEBSITE
www.omghk.com

# 万华媒体

# Group's Principal Activities

万 华 媒 体
ONEMEDIAGROUP

## Entertainment & Lifestyle




## Information Technology



## Automotive


# Chairman's Statement

On behalf of the Board of Directors (the "Board of Directors") of One Media Group Limited (the "Company"), I am pleased to announce the results for the Company and its subsidiaries (collectively, the "Group") for the year ended 31st March 2009.

This has been a volatile year for the Group. During the first half of the year, we saw continued growth. From the third quarter onwards, impacted by the effect of financial crisis, our businesses started to decline and the downturn gathered pace in the fourth quarter. With on-going efforts made in optimizing the Group's resources utilization and keeping tight cost control, our revenue and operating results experienced only modest corrections. We shall continue to exert measures to mitigate impact from the challenges ahead.

Our flagship title, "*Ming Pao Weekly 明報周刊*", has just celebrated its 40th anniversary. During the year, "*Ming Pao Weekly 明報周刊*" successfully maintained its premier positioning as a professional, celebrity and lifestyle magazine in Hong Kong. We shall stand by our commitment to readers and advertisers in maintaining leadership of "*Ming Pao Weekly 明報周刊*" in this market. We expect that this title will continue to provide solid contributions to the Group and secure long-term trusts and support from our readers and advertisers through its "clean and chic" editorial direction.

We progressed our magazine licensing business model forward as we launched "*Top Gear 極速誌*" in Hong Kong riding on the success of "*Top Gear 汽車測試報告*" in Mainland China we had achieved over the years. We have also a license right to distribute Top Gear television programs in Mainland China and Taiwan; and we will keep on developing our businesses based on this proven business model.

Along this line, we are now developing a new channel magazine which owns a captive pool of readers and stable advertiser support in Mainland China. Going forward we continue to improve our efficiencies and maintain tight controls on our costs to preserve our competitiveness. In addition, we will identify potential targets and opportunities for expanding our businesses through acquisitions and continue to deliver high-quality contents to our readers and offer effective advertising and communication channels to our advertisers.

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. We are looking forward to strong results and promising prospects ahead.

TIONG Kiu King
*Chairman*

Hong Kong, 25th June 2009

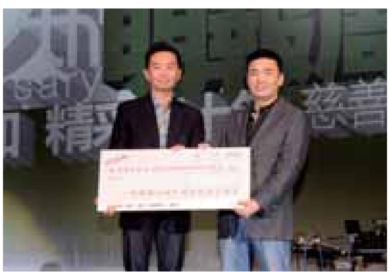
**Mr. TIONG Kiu King,** *Chairman*

# Events of the Year

To mark the 40th anniversary of "*Ming Pao Weekly 明報周刊*", the Group held a series of celebratory events including gala dinner, charity concert, movie premieres, radio broadcasting programme, roadshows and community art education project in 2008.

The gala dinner incorporating presentation of Show Biz Awards 2008 was held at Four Seasons Hotel Hong Kong in November 2008. Over 500 distinguished guests, celebrities and key executives of international corporations were invited. The dinner marked the grand finale to all the celebratory events of the 40th anniversary of *"Ming Pao Weekly 明報周刊"*.

Charity Concert
Top singers and friends of *"Ming Pao Weekly 明報周刊"* gathered together at the charity concert and shared the popular old songs and memories of the past 40 years.



Mr. Terence TUNG (right), Chief Executive Officer of the Group, presented a donation cheque to Mr. Charles CL YANG, JP, (left), Director and Chairman of Admissions, Budgets & Allocations Committee of the Community Chest of Hong Kong.

"Butterfly Lovers" Costumes Show and Premiere
Celebrities and guests were invited to relish the premiere of "Butterfly Lovers".

Radio Live Broadcast
Celebrities shared their experiences in the fields of entertainment, living, fashion trend, food & beverage and culture of the past years in the radio broadcasting programme.

“*Top Gear 極速誌*” Launched in Hong Kong

“*BBC Top Gear*” is a reputable automotive title in the world. Its Hong Kong Edition, “*Top Gear 極速誌*”, was first published in October 2008 by the Group as its latest monthly automotive title. In the launching party, distinguished guests came to celebrate and share their driving experiences.


The Management of the Group with Ms. Charmaine SHEH and Mr. Bowie LAM.

Mr. TIONG Kiew Chiong (1st from left), Deputy Chairman of the Group, and Mr. Edmond LAU (1st from right), Chief Editor of *“Top Gear 極速誌”*, officiated the ceremony with artists, Ms. Charmaine SHEH and Mr. Bowie LAM.

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The Group organised a series of events to celebrate the 10th anniversary of “***Hi-Tech Weekly***” in 2009, including THE BEST OF THE BEST Awards 2008/09, photography contest and gadgets fair.


THE BEST OF THE BEST Awards 2008/09

The winners of THE BEST OF THE BEST Awards 2008/09 were nominated and voted by *“Hi-Tech Weekly”* readers and IT professional judges. A total of 54 awards under 8 categories were presented.

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“非常自我　非常新加坡”
Photography Contest

The 12 finalists of the contest enjoyed a 4-day-3-night free tour to Singapore, and the photos taken were shortlisted to enter the final round.

Hi-Tech KING 2008

The most popular electronic products selected by *“Hi-Tech Weekly”* readers in the Hi-Tech KING 2008 were displayed at a 3-day exhibition held at Lippo Sun Plaza in Tsim Sha Tsui.

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“***Ming Pao Weekly 明報周刊***” Gained Foothold in Taiwan

The Group expanded into Taiwan media market through launching its flagship lifestyle and entertainment weekly magazine, “***Ming Pao Weekly 明報周刊***”, in the second quarter of 2008. The launching party was held at Grand Hyatt Taipei on 18th June 2008.


Mr. Jacky CHAN (1st from left), Ms. Gigi LEUNG (2nd from left), Ms. Carina LAU (2nd from right) and Tan Sri Datuk Sir TIONG Hiew King, Group Executive Chairman of Media Chinese International Limited (middle), officiated the ceremony on stage.

Hundreds of guests including government officials, business leaders, celebrities, famous artists and other dignitaries were in attendance.

# Management Discussion and Analysis

## RESULTS SUMMARY

The previous financial year posed a test to publishers' capability in confronting crises. During this period of unprecedented volatility in both the financial markets and underlying economies, the Group's consolidated turnover for the year ended 31st March 2009 declined 5% to HK$207,941,000 from HK$219,899,000 in preceding year and profit for the year dropped 5% to HK$11,397,000 from HK$12,020,000 in preceding year. However, the Group will continue to optimize its resources utilization and keep tight cost control.

## REVIEW OF OPERATIONS

### Hong Kong

During the year under review, the Group published three magazines in Hong Kong, namely "*Ming Pao Weekly 明報周刊*", "*Hi-Tech Weekly*", and "*Top Gear 極速誌*". These titles contributed a combined revenue of HK$180,235,000 for the year ended 31st March 2009 (2008: HK$187,107,000), representing a modest 4% decline when compared to the preceding year, while operating profit rose by 10% to HK$42,830,000 (2008: HK$39,044,000) as a result of the Group's continuing stringent control over operating costs.

"*Ming Pao Weekly 明報周刊*", the Group's premier celebrity and lifestyle title, successfully concluded its planned series of marketing events celebrating its 40th anniversary. The events played a pivotal role in raising the title's profile in an already crowded magazine advertising market in Hong Kong. The marketing events helped advertisers deliver messages, together with our high-quality entertainment and fashion content, more effectively to readers.

"*Hi-Tech Weekly*" received solid endorsements on its revamped business model as it maintained its circulation steady after raising its cover price to HK$6 since December 2008. This illustrated readers' favorable and sustaining support towards the title as the prevailing circulation had been a result of a significant surge when the title first cut its cover price by half to HK$5 in May 2008. This support, while underscoring the title's on-going efforts in deepening its reach to advertisers in the segment, encouraged the title to expand its business model to embrace non-print opportunities. In February and May 2009, the title co-hosted two "Gadgets Fair" in-mall roadshows with Amoy Plaza in Kowloon Bay and Silvercord in Tsim Sha Tsui respectively. They helped drive significant increases in shopper traffic and sales revenues for retail tenants in these malls during those periods. Hosting of similar events has been developed into a separate business line for the title, leveraging its established support from readers and advertisers.

"*Top Gear 極速誌*", riding on the success of "*Top Gear 汽車測試報告*" that the Group operates in Mainland China, launched its inaugural issue in October 2008 in Hong Kong. It quickly earned a recognition of a highly professional automobile magazine in Hong Kong. Managed by an experienced editorial team in this segment, it is expected that this title will evolve into one of the Group's major titles in Hong Kong targeting primarily male readers.

## REVIEW OF OPERATIONS *(Continued)*

### Mainland China

The operation in Mainland China contributed a turnover of HK$27,706,000 (2008: HK$32,792,000) to the Group, representing a 16% decline when compared to the preceding year, while operating loss widened to HK$17,764,000 (2008: HK$12,463,000). The decline in turnover was due to intensifying competition in the infotainment/leisure magazine advertising market in China and reduction in overall advertising spending as advertisers took a wait-and-see attitude in light of the sustaining impact of the global financial crisis in the country. This decline in revenue widened the bottom-line losses for the Group's operation in Mainland China.

"*MING 明日風尚*", following its revamp in October 2008, enjoyed positive feedbacks from readers and advertisers. It is highly regarded for its premium quality content and positioning as a wide window of information for affluent local Chinese to gain knowledge on cutting-edge foreign lifestyle. The revamp also helped the title regain businesses from advertisers previously lost to competitors. A decision to raise the cover price to RMB15 from RMB10 since May 2009 received no hurdle from distributors. The raised cover price, despite bringing only a small incremental increase in per-copy sales revenue, underscores the steady support the title enjoys from readers and advertisers after its revamp.

"*Top Gear 汽車測試報告*" had been able to maintain a stable operation as China's market of automobiles has still been relatively robust when compared to the rest of the world.

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

## OUTLOOK

The current difficulties do not preclude the Group from exploiting new business ventures and initiatives. As part of its on-going development, the Group is looking into details of developing a new channel magazine which owns a captive pool of readers and stable advertiser support.

In view of the uncertainties emerged from the unfolding global financial crisis, the Group will continue to work on efforts to face the economic challenges ahead which include cost containment in every department and every publication, reducing wastage of resources, maximizing synergies among titles and continuous emphasis on improving efficiencies in its operations.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31st March 2009, the Group's net current assets amounted to HK$158,141,000 (2008: HK$145,295,000) and the total equity attributable to the equity holders of the Company was HK$166,362,000 (2008: HK$160,612,000). The Group had no bank borrowings (2008: 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% (2008: 0%).

As at 31st March 2009, the Group's total cash balance was HK$125,951,000 (2008: HK$106,239,000).

## EXPOSURE TO FLUCTUATIONS 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 People's Republic of China ("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 31st March 2009, the Group did not have any material contingent liabilities or guarantees (2008: Nil).

## CLOSURE OF THE REGISTER OF THE MEMBERS

The register of members will be closed from Wednesday, 19th August 2009 to Tuesday, 25th August 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend of HK1.15 cents 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, 18th August 2009.

## EMPLOYEES

As at 31st March 2009, the Group has approximately 242 employees (2008: 243 employees), of which 160 and 82 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.

# 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 2009.

## 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 37. The Directors have declared an interim dividend of HK0.6 cent (2008: Nil) per ordinary share, totalling HK$2,400,000 (2008: Nil) which was paid on 15th January 2009. The Directors recommended the payment of a final dividend of HK1.15 cents (2008: HK1 cent) per ordinary share, totalling HK$4,600,000 (2008: HK$4,000,000).

## 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.

## 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 2009, including the share premium, available for distribution, calculated in accordance with the provisions of Companies Law of the Cayman Islands, amounted to HK$490,371,000 (2008: HK$496,196,000).

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

The reserves of the 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 88.

## 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 (the "Adoption Date"). Another share option scheme, a 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 of Hong Kong Limited (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 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 Media Chinese International Limited ("MCI") and its subsidiaries (the "MCI Group") (for so long as the Company remains as a subsidiary of MCI) ("Employee").

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.

## SHARE OPTIONS *(Continued)*

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 2009, 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 12,538,000 shares, which represented 3.13% of the issued share capital of the Company as at that date. As at 31st March 2009, 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.

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.

**Report of the Directors (Continued)**

## SHARE OPTIONS *(Continued)*

Details of the share options outstanding and movements during the year ended 31st March 2009 are as follows:

| Grantee | | Balance at 31st March 2008 | Granted during the year *(Note 3)* | Exercised during the year *(Note 3)* | Lapsed during the year *(Note 4)* | Balance at 31st March 2009 | Percentage of issued ordinary shares at 31st March 2009 | Exercise price per share HK$ | Date of conditional grant | Exercisable period |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Number of shares involved in share options | | | | | | | | |
| **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 Sir 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' Sri 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 | – | – | (50,000 ) | 4,050,000 | 1.01% | 1.200 | 27/9/2005 | 18/10/2005–25/9/2015 |
| Full time employees | *(Note 2)* | 928,000 | – | – | (40,000 ) | 888,000 | 0.22% | 1.200 | 27/9/2005 | 18/10/2005–25/9/2015 |
| Total | | 13,778,000 | – | – | (1,240,000 ) | 12,538,000 | 3.13% | | | |

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

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

## SHARE OPTIONS *(Continued)*

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

4. During the year, 1,240,000 share options have been lapsed by reason of the grantees ceased to be directors and full time employees of the Group or MCI Group.

5. 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 year were rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any 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. TUNG Siu Ho, Terence (appointed as Chief Executive Officer on 1st June 2008)
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. YU Hon To, David*
Mr. SIT Kien Ping, Peter*
Mr. TAN Hock Seng, Peter*
Mr. Robert William Hong-san YUNG (resigned as executive Director and Chief Strategy Officer on 1st May 2008)

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

In accordance with Article 108(a) of the Articles, Mr. TUNG Siu Ho, Terence, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter 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 appointment of the independent non-executive Directors is 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 74, was appointed as executive Director in April 2005 and is the Chairman of the Company. He has been an executive director of MCI (stock code: 0685) since October 1995. MCI is the holding company of the Company and it is publicly listed on the main boards of Stock Exchange and Bursa Securities Malaysia Berhad. He has extensive business experience in many industries including media and publishing, property development, plantation, as well as investment projects in Mainland China. He also holds directorships in various subsidiaries of the Company and private limited companies. He graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong. He is brother of Tan Sri Datuk Sir TIONG Hiew King and Dato' Sri Dr. TIONG Ik King, both are the substantial shareholders of the Company.

**TIONG Kiew Chiong**, aged 49, was appointed as an executive Director in March 2005 and is the Deputy Chairman of the Company. Mr. TIONG is also the Chairman of the executive committee of the Company (the "Executive Committee") and a member of the Remuneration Committee and Nomination Committee of the Company. He has been an executive director of MCI (stock code: 0685) since May 1998. MCI is the holding company of the Company and it is publicly listed on the main boards of Stock Exchange and Bursa Securities Malaysia Berhad. 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. Mr. TIONG obtained a Bachelor of Business Administration from York University in Canada. He serves as a director of various subsidiaries of the Company and several private limited companies. He is a distant nephew of Tan Sri Datuk Sir TIONG Hiew King, Mr. TIONG Kiu King and Dato' Sri Dr. TIONG Ik King. Mr. TIONG Kiu King is the Chairman of the Company and both Tan Sri Datuk Sir TIONG Hiew King and Dato' Sri Dr. TIONG Ik King are the substantial shareholders of the Company.

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

### Executive Directors *(Continued)*

**TUNG Siu Ho, Terence**, aged 47, is the Chief Executive Officer of the Group. Mr. TUNG is also a member of the Executive Committee. 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 25 years and was formerly a director and General Manager of Metropolitan Publications Limited. He is the Chairman of The Society of Publishers in Asia. He also serves as a director of various subsidiaries of the Company. Mr. TUNG obtained a Bachelor of Arts from the University of Toronto in Canada.

### Non-executive Director

**Peter Bush BRACK,** aged 38, is the Vice Chairman of the Company. He joined the Group in May 2004 and was re-designated as a non-executive director of the Company in June 2008. Mr. BRACK is also the Chairman and Chief Executive Officer of Redgate Media Group (formerly known as 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.

### Independent non-executive Directors

**YU Hon To, David**, aged 61, 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, a company engaged in direct investment and financial advisory services. Mr. YU is currently an independent non-executive director of MCI (stock code: 0685).

During the three-year period immediately preceding 31st March 2009, Mr YU had been and subsequently resigned as an independent non-executive director of three companies listed in Hong Kong, namely Shun Cheong Holdings Limited (stock code: 0650) (resigned on 23rd October 2007), BALtrans Holdings Limited (stock code: 0562) (resigned on 21st February 2008) and Cinda International Holdings Limited (formerly known as Hantec Investment Holdings Limited) (stock code: 0111) (resigned on 23rd December 2008). He currently serves as an independent non-executive director of Great China Holdings Limited (stock code: 0141), Playmates Holdings Limited (stock code: 0635), TeleEye Holdings Limited (stock code: 8051), VXL Capital Limited (stock code: 0727), Haier Electronics Group Co., Limited (stock code: 1169), Hong Kong Energy (Holdings) Limited (stock code: 0987) and Synergis Holdings Limited (stock code: 2340), all of which are listed companies in Hong Kong. He also sits on the board of several private companies in Hong Kong.

**SIT Kien Ping, Peter**, aged 56, 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 30 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. During the three-year period immediately preceding 31st March 2009, Mr. SIT had been and subsequently resigned as an independent non-executive director of Asia Commercial Holdings Limited (stock code: 0104) which is a listed company in Hong Kong, on 16th December 2006.

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

### Independent non-executive Directors *(Continued)*

**TAN Hock Seng, Peter**, aged 75, 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 has 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.

### Senior management

**LAM Pak Cheong**, aged 40, is the Chief Financial Officer and the Company Secretary of the Group. Mr. LAM is also a member of the Executive Committee. 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. 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 52, is the Chief Operating Officer of the Group. Mr. CHAN is also a member of the Executive Committee. He is in charge of the overall sales and marketing and the general management of the business operation of the Group. Mr. CHAN has 31 years of 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 55, is the Editorial Director of the Group. Mr. LUNG is also a member of the Executive Committee. He is in charge of the overall editorial works and the general management of the editorial team of all publications of the Group. Mr. LUNG has extensive publishing and editorial experience in Hong Kong. Prior to joining the Group, he was the Chief Editor and Publisher of "*Hong Kong Today*". Mr. LUNG is very familiar with the media industry and is one of the most experienced chief editors of lifestyle magazines in Hong Kong.

**YEUNG Ying Fat**, aged 41, is the Financial Controller 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 42, 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 2009, 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 issued ordinary shares as at 31st March 2009 |
| 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 these share options, please refer to the paragraph "Share Options".

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

### (b) Interests in shares in MCI

| | Number of shares/underlying shares held | | | | | | |
|---|---|---|---|---|---|---|---|
| Name of Director | Personal interest | Family interest | Corporate interest | 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 issued ordinary shares of MCI as at 31st March 2009 |
| Mr. TIONG Kiu King | 2,540,559 | 147,000 | – | 2,687,559 | 600,000 | 3,287,559 | 0.20% |
| Mr. TIONG Kiew Chiong | 4,796,483 | – | – | 4,796,483 | 600,000 | 5,396,483 | 0.32% |

*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 |
| | 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 |
| | 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 headed "Share Options", as at 31st March 2009, 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 2009, 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 2009 |
|---|---|---|---|
| Comwell Investment 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)* | 23,688,000 | Institutional investor | 5.92% |
| 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.

*Notes:*

1. Comwell Investment Limited is an indirect wholly-owned subsidiary of MCI. Tan Sri Datuk Sir TIONG Hiew King, a director of MCI, is deemed interested in MCI in aggregate 33.11% by virtue of his personal interests, family interests and corporate interests. Dato' Sri Dr. TIONG Ik King, a director of MCI, is deemed interested in MCI in aggregate 15.59% by virtue of his personal interests and corporate interests.

   In addition, MCI is directly held as to (i) 9.16% by Zaman Pemimpin Sdn Bhd which is jointly owned by Sharifah Rokayah Binti WAN OTHMAN and Salleh Bin DELAMID, and (ii) 19.40% 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 Group (formerly known as 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 owns 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 31st March 2009.

## 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

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

| | |
|---|---|
| Purchases | |
| – the largest supplier | 26% |
| – five largest suppliers combined | 47% |

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

| | |
|---|---|
| Sales | |
| – the largest customer | 13% |
| – five largest customers combined | 32% |

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 2009, 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 issued by the Company dated 30th September 2005, 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 (the "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 | 2009 | Annual Caps |
|---|---|---|
| | HK$'000 | HK$'000 |
| License fees *(Note 1)* | 12,345 | 18,100 |
| Circulation support services charge *(Note 2)* | 1,607 | 3,500 |
| Barter advertising expenses *(Note 3)* | 1,697 | 2,000 |
| Barter advertising income *(Note 4)* | (1,697) | (2,000) |
| Colour separation services charge *(Note 5)* | 14 | 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)* | 1,947 (total of items (i) & (ii)) | 2,800 (total of items (i) & (ii)) |

*Notes:*

1. The license fees 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 disclosed in the previous announcements.

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 Transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported the 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, it is an investment holding company and the principal activities of its subsidiaries are the publishing, printing and distribution of Chinese language newspapers, magazines and books, and the provision of travel and travel related services in Hong Kong, North America, Malaysia and Southeast Asia (“Remaining Business”). The substantial shareholders of MCI are Tan Sri Datuk Sir TIONG Hiew King and Dato’ Sri Dr. TIONG Ik King, both being executive directors of MCI. The Directors consider that there is a clear delineation between the businesses of MCI Group 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 retires and, being eligible, offers itself for re-appointment.

By order of the Board

**TIONG Kiu King**
*Chairman*

Hong Kong, 25th June 2009

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# 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 2009.

## 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 2009, 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. TUNG Siu Ho, Terence | Executive Director and Chief Executive Officer |
| **Non-executive Director** | |
| Mr. Peter Bush BRACK | Non-executive Director and Vice Chairman |
| **Independent Non-executive Directors** | |
| Mr. YU Hon To, David | Independent non-executive Director |
| Mr. SIT Kien Ping, Peter | Independent non-executive Director |
| Mr. TAN Hock Seng, Peter | Independent non-executive Director |

The biographies of each of the Directors are set out on pages 16 to 18.

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 *(Continued)*

### Composition and Function *(Continued)*

The Board of Directors, led by the Chairman, 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 the 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 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.

## THE BOARD OF DIRECTORS *(Continued)*

### Independence of Independent Non-executive Directors

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

### Proceedings and Retirement of Directors

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

The term of appointment of the independent non-executive Directors is 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, 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 authorised 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.

During the year, the Nomination Committee has reviewed the size, structure and composition of the Board of Directors and made recommendations to the Board of Directors.

## 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, quarterly reports and reviewing significant financial reporting judgments 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 recommendations to the following matters:

(a) reviewed the audited financial statements for the year ended 31st March 2009, the interim report for the six months ended 30th September 2008 and the quarterly financial reports for the quarters ended 30th June 2008, 30th September 2008, 31st December 2008 and 31st March 2009;

(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 and reviewed the proposed audit fees for the year ended 31st March 2009;

(d) reviewed the external auditor's audit plan, audit strategy and scope of work for the year under review;

(e) reviewed the internal audit resource requirements, internal audit plan, internal audit reports, recommendations and management response; and

(f) reviewed the continuing connected transactions entered into by the Group.

## 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.

## NUMBER OF MEETINGS AND THE ATTENDANCE RATE

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

### Attendance rate

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

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

With a view to maintaining an effective segregation of duties, the position of the Chairman and the Chief Executive Officer are split and each plays a distinctive role. The Chairman is mainly responsible for the leadership and effective operation of the Board 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 2009. 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 provided by other external auditors/audit firms to the subsidiaries of the Group were approximately HK$14,000.

PwC will retire and offer itself for re-appointment at the annual general meeting of the Company to be held in August 2009.

A statement by PwC about its reporting responsibilities on the consolidated financial statements of the Group is set out in the "Independent Auditor's Report" section on page 35.

## 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 2009.

## SHAREHOLDERS' COMMUNICATIONS

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, quarterly, 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 2009.

## 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 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 year, a review of the Group's internal control system and procedures was carried out by the internal audit team of MCI, the holding company of the Company. The internal audit findings were discussed at management level and actions were agreed in response to the recommendations from the internal audit team. An internal control review report issued by the internal audit team has been reviewed by the Audit Committee. Significant issues, if any, were referred to the Board of Directors for consideration. 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.

# 万华媒体

INDEPENDENT AUDITOR'S REPORT
CONSOLIDATED INCOME STATEMENT
CONSOLIDATED BALANCE SHEET
BALANCE SHEET
CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
CONSOLIDATED CASH FLOW STATEMENT
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FIVE-YEAR FINANCIAL SUMMARY

# Independent Auditor's Report

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

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

## 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 37 to 87, which comprise the consolidated and company balance sheets as of 31st March 2009, 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.

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 2009, 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, 25th June 2009

# Consolidated Income Statement

For the year ended 31st March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| Turnover | 5 | **207,941** | 219,899 |
| Cost of goods sold | 19 | **(108,709)** | (120,216) |
| **Gross profit** | | **99,232** | 99,683 |
| Other income | 5 | **5,715** | 3,856 |
| Selling and distribution costs | 19 | **(49,605)** | (50,713) |
| Administrative expenses | 19 | **(37,487)** | (34,819) |
| **Profit before income tax** | | **17,855** | 18,007 |
| Income tax expense | 21 | **(6,458)** | (5,987) |
| **Profit for the year** | | **11,397** | 12,020 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **11,397** | 12,020 |
| **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 | **2.85** | 3.01 |
| **Dividends** | 24 | **7,000** | 4,000 |

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheet

As at 31st March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *6* | **7,008** | 9,545 |
| Intangible assets | *7* | **2,165** | 2,028 |
| Financial assets at fair value through profit or loss | *12* | **–** | 4,409 |
| | | **9,173** | 15,982 |
| **Current assets** | | | |
| Inventories | *9* | **11,910** | 10,082 |
| Trade and other receivables | *11* | **44,147** | 63,666 |
| Cash and cash equivalents | *13* | **125,951** | 106,239 |
| | | **182,008** | 179,987 |
| **Total assets** | | **191,181** | 195,969 |
| **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)* | **(334,809)** | (335,562) |
| Retained earnings | | | |
| – Proposed final dividend | *24* | **4,600** | 4,000 |
| – Others | *15(a)* | **40,098** | 35,701 |
| **Total equity** | | **166,362** | 160,612 |

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

## Consolidated Balance Sheet (Continued)

As at 31st March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | *17* | **303** | 525 |
| Long service payment liability | *18* | **649** | 140 |
| | | **952** | 665 |
| **Current liabilities** | | | |
| Trade and other payables | *16* | **21,108** | 28,176 |
| Amounts due to fellow subsidiaries | *16* | **1,508** | 2,456 |
| Income tax liabilities | | **1,251** | 4,060 |
| | | **23,867** | 34,692 |
| **Total liabilities** | | **24,819** | 35,357 |
| **Total equity and liabilities** | | **191,181** | 195,969 |
| **Net current assets** | | **158,141** | 145,295 |
| **Total assets less current liabilities** | | **167,314** | 161,277 |

By order of the Board

**TIONG Kiew Chiong**
*Director*

**TUNG Siu Ho, Terence**
*Director*

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

# Balance Sheet

As at 31st March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Interests in subsidiaries | 8 | **376,875** | 412,151 |
| **Current assets** | | | |
| Other receivables | 11 | **26** | 313 |
| Cash and cash equivalents | 13 | **113,901** | 84,149 |
| | | **113,927** | 84,462 |
| **Total assets** | | **490,802** | 496,613 |
| **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 | | | |
| – Proposed final dividend | 24 | **4,600** | 4,000 |
| – Others | 15(b) | **29,698** | 36,123 |
| **Total equity** | | **490,771** | 496,596 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Other payables | 16 | **31** | 17 |
| **Total liabilities** | | **31** | 17 |
| **Total equity and liabilities** | | **490,802** | 496,613 |
| **Net current assets** | | **113,896** | 84,445 |
| **Total assets less current liabilities** | | **490,771** | 496,596 |

By order of the Board

**TIONG Kiew Chiong**
*Director*

**TUNG Siu Ho, Terence**
*Director*

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

# Consolidated Statement of Recognised Income and Expense

For the year ended 31st March 2009

| | *Notes* | **2009**<br>**HK$'000** | 2008<br>HK$'000 |
|---|---|---|---|
| Currency translation differences | *15* | **517** | 2,503 |
| Actuarial losses of long service payment obligation | *18* | **(478)** | (48) |
| **Net income recognised directly in equity** | | **39** | 2,455 |
| Profit for the year | | **11,397** | 12,020 |
| **Total recognised income for the year** | | **11,436** | 14,475 |
| **Attributable to:** | | | |
| – Equity holders of the Company | | **11,436** | 14,475 |

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

# Consolidated Cash Flow Statement

For the year ended 31st March 2009

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 25 | **34,843** | 17,522 |
| Hong Kong profits tax paid | | **(9,485)** | – |
| PRC enterprise income tax paid | | **(4)** | (4) |
| Net cash generated from operating activities | | **25,354** | 17,518 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | | **(961)** | (3,453) |
| Purchase of intangible assets | | **(150)** | – |
| Interest received | | **1,629** | 3,856 |
| Proceeds from disposal of property, plant and equipment | 25 | **186** | 289 |
| Purchase of financial assets at fair value through profit or loss | | **–** | (11,700) |
| Proceeds from redemption of financial assets at fair value through profit or loss | | **–** | 9,750 |
| Net cash generated from/(used in) investing activities | | **704** | (1,258) |
| **Cash flows from financing activities** | | | |
| Dividends paid to Company's shareholders | | **(6,400)** | (1,500) |
| Net cash used in financing activities | | **(6,400)** | (1,500) |
| **Net increase in cash and cash equivalents** | | **19,658** | 14,760 |
| Cash and cash equivalents at beginning of the year | | **106,239** | 91,357 |
| Exchange gain on cash and cash equivalents | | **54** | 122 |
| **Cash and cash equivalents at end of the year** | 13 | **125,951** | 106,239 |

The notes on pages 43 to 87 are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31st March 2009

## 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, and have been approved for issue by the Board of Directors on 25th June 2009.

## 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 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRSs"). 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 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 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 accounting policies adopted are consistent with those used in the consolidated financial statements of the Group for the year ended 31st March 2008 with the addition of the following interpretation to existing standard which is relevant to the Group's operations and is mandatory for the financial year ended 31st March 2009:

| | |
|---|---|
| IFRIC-Int 14 | IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction |

The adoption of this new IFRS has no material effect on the financial position or performance of the Group.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective for the financial year ended 31st March 2009.

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| IFRIC – Int 13 | Customer loyalty programmes | 1st July 2008 |
| 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 |
| IFRS 2 Amendment | Share-based payment vesting conditions and cancellations | 1st January 2009 |
| IFRS 7 Amendment | Financial instruments: Disclosures – Improving disclosures about financial instruments | 1st January 2009 |
| IFRS 8 | Operating segments | 1st January 2009 |
| Amendments to IFRS 1 and IAS 27 | Cost of an investment in a subsidiary, jointly controlled entity and associate | 1st January 2009 |
| IFRIC – Int 15 | Agreements for the construction of real estate | 1st January 2009 |
| IAS 27 (Revised) | Consolidated and separate financial statements | 1st July 2009 |
| Amendment to IAS 39 and IFRIC – Int 9 | Financial instruments: Recognition and measurement – Eligible hedged items | 1st July 2009 |
| IFRS 3 (Revised) | Business combination | 1st July 2009 |
| IFRS 3 – Appendix C | Impairment testing cash-generating units with goodwill and non-controlling interests | 1st July 2009 |
| IFRS 5 | Non-current assets held for sale and discontinued operations | 1st July 2009 |
| IFRIC – Int 17 | Distributions of non-cash assets to owners | 1st July 2009 |
| IFRIC – Int 18 | Transfers of assets from customers | Effective for transfers of assets from customers received on or after 1st July 2009 |

Apart from the above, a number of improvements and minor amendments to IFRSs have also been issued but are not yet effective for the accounting period ended 31st March 2009 and have not been adopted in these financial statements.

The Group is in the process of assessing the impact of these new IFRSs in the period of the initial application but is not yet in a position to state whether these new standards, amendments and interpretations to existing standards would result in substantial changes to the Group's accounting policies and financial position.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Consolidation

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

Subsidiaries are all entities 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.

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 consolidated income statement (Note 2.6).

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 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

### 2.3 Segment reporting

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

Unallocated expenses represent corporate expenses. Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, financial assets at fair value through profit or loss, trade and other receivables and operating cash. Segment liabilities comprise operating liabilities and exclude income tax liabilities and deferred income tax liabilities. Capital expenditure comprises additions of property, plant and equipment and addition of computer softwares included in intangible assets.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.3 Segment reporting *(Continued)*

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

### 2.4 Foreign currency translation

***(a) Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK dollars"), which is the Company's functional and the Group's 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 consolidated 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 are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, such exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.5 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture, fixtures and 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 2.7).

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

### 2.6 Intangible assets

***(a) Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested 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.

***(b) Computer softwares***

Acquired software costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are stated in the consolidated balance sheet at cost less accumulated amortisation.

Amortisation of computer softwares is charged to the consolidated income statement on a straight-line basis over the assets' estimated useful lives, which does not exceed five years.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.7 Impairment of investments in subsidiaries and non-financial assets

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

### 2.8 Financial assets

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

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

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

***(b) Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprises "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (Note 2.10 and 2.11).

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 consolidated 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.8 Financial assets *(Continued)*

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

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

### 2.9 Inventories

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

### 2.10 Trade and other receivables

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

### 2.11 Cash and cash equivalents

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

### 2.12 Share capital

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

### 2.13 Trade 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.14 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 and its 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.

Deferred income tax is recognised 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.

### 2.15 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 Media Chinese International Limited ("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.

***(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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.15 Employee benefits *(Continued)*

***(b) Long service payment*** *(Continued)*

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 Hong Kong Government's Exchange Fund Notes which have terms to maturity approximating 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 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 Group revises its estimates of the number of options that are expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the consolidated 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.

***(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 of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.16 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.

### 2.17 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 consolidated balance sheet.

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.

License fee income is recognised in the period the license is granted to the licensee, using the straight-line basis over the terms of the agreements.

### 2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.19 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.

### 2.20 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 co-operation within the Group.

***(a) Market Risk***

*(i) Currency risk*

The Group mainly operates in Hong Kong and the 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 2009, if HK dollar had weakened/strengthened by 5% (2008: 10%) against RMB with all other variables held constant, equity would have been HK$575,000 (2008: HK$2,948,000) higher/lower, arising mainly from foreign exchange gains/losses on translation of RMB-denominated financial assets and liabilities. Equity is less sensitive to movement in HK dollars/RMB exchange rate in 2009 than 2008 because of the decreased amount of RMB-denominated transactions.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

#### *(a) Market Risk* *(Continued)*

*(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. 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.

#### *(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, financial assets at fair values and the availability of funding through an adequate amount of committed credit facilities. The Group maintains its liquidity mainly through funding generated from the daily operation of its subsidiaries and the availability under committed credit lines.

The remaining contractual maturities at the balance sheet date of the Group's financial liabilities amounting to HK$6,794,000 (2008: HK$8,077,000), 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.

## 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 2009, the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio of zero. The gearing ratios at 31st March 2009 and 2008 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 rates, 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.

### (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 (Note 7). Changing the assumptions selected by the Group to determine the level, if any, of impairment, including the discount rate or the growth rate assumptions, could significantly affect the Group's reported financial conditions and results of operations.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

### (c) Provision for sales returns

As at 31st March 2009, the provision for sales returns of the Group amounted to HK$1,652,000 (2008: HK$1,340,000). This provision is recognised by the Group based on management's 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$27,000 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.

## 5 REVENUE AND SEGMENT INFORMATION

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

Turnover consists of advertising income and revenue from circulation and subscription sale of periodicals. Turnover and the other income recognised during the year are as follows:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Turnover | **207,941** | 219,899 |
| Other income | | |
| Bank interest income | **1,629** | 3,856 |
| License fee income | **2,340** | – |
| Others | **1,746** | – |
| | **5,715** | 3,856 |
| Total revenue | **213,656** | 223,755 |

Notes to the Consolidated Financial Statements (Continued)
For the year ended 31st March 2009

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

### 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 2009 are as follows:

| | Hong Kong HK$'000 | Mainland China HK$'000 | Group HK$'000 |
|---|---|---|---|
| **Segment turnover** | **180,235** | **27,706** | **207,941** |
| Segment results | **42,830** | **(17,764)** | **25,066** |
| Interest income | | | **1,629** |
| License fee income | | | **2,340** |
| Unallocated expenses | | | **(11,180)** |
| **Profit before income tax** | | | **17,855** |
| Income tax expense *(Note 21)* | | | **(6,458)** |
| **Profit for the year** | | | **11,397** |

The segment results for the year ended 31st March 2008 are as follows:

| | Hong Kong HK$'000 | Mainland China HK$'000 | Group HK$'000 |
|---|---|---|---|
| **Segment turnover** | 187,107 | 32,792 | 219,899 |
| Segment results | 39,044 | (12,463) | 26,581 |
| Interest 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 |

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

### Primary reporting format – geographical segments *(Continued)*

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

| | **Year ended 31st March 2009** | | | Year ended 31st March 2008 | | |
|---|---|---|---|---|---|---|
| | **Hong Kong** | **Mainland China** | **Group** | Hong Kong | Mainland China | Group |
| | **HK$'000** | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Depreciation *(Note 6)* | **2,345** | **1,038** | **3,383** | 2,288 | 1,007 | 3,295 |
| Amortisation expense *(Note 7)* | **13** | **–** | **13** | – | – | – |
| Impairment of trade receivables | **387** | **–** | **387** | 159 | 246 | 405 |

The segment assets and liabilities at 31st March 2009 and capital expenditures for the year then ended are as follows:

| | **Hong Kong** | **Mainland China** | **Eliminations** | **Unallocated** | **Group** |
|---|---|---|---|---|---|
| | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** | **HK$'000** |
| Assets | **239,828** | **25,171** | **(73,818)** | **–** | **191,181** |
| Liabilities | **(13,847)** | **(83,235)** | **73,818** | **(1,555)** | **(24,819)** |
| Capital expenditure *(Note 6 and Note 7)* | **975** | **136** | **–** | **–** | **1,111** |

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

| | Hong Kong | Mainland China | Eliminations | Unallocated | Group |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Assets | 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 |

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, financial assets at fair value through profit or loss, trade and other receivables and operating cash.

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) and additions to computer softwares included in intangible assets (Note 7).

### 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 2009 and 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 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 |
| **Year ended 31st March 2009** | | | | | |
| Opening net book amount | 2,970 | 1,896 | 3,528 | 1,151 | 9,545 |
| Exchange differences | 16 | 8 | 29 | 21 | 74 |
| Additions | – | 430 | 531 | – | 961 |
| Disposals *(Note 25)* | – | (16) | (173) | – | (189) |
| Depreciation *(Note 19)* | (567) | (938) | (1,578) | (300) | (3,383) |
| Closing net book amount | 2,419 | 1,380 | 2,337 | 872 | 7,008 |
| **At 31st March 2009** | | | | | |
| Cost | 4,303 | 4,365 | 7,809 | 1,474 | 17,951 |
| Accumulated depreciation | (1,884) | (2,985) | (5,472) | (602) | (10,943) |
| Net book amount | 2,419 | 1,380 | 2,337 | 872 | 7,008 |

Depreciation expense of HK$3,383,000 (2008: HK$3,295,000) has been charged in cost of goods sold.

## 7 INTANGIBLE ASSETS

| | Group | | |
|---|---|---|---|
| | **Computer softwares** | **Goodwill** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 |
| **At 1st April 2007** | | | |
| Cost | – | 2,028 | 2,028 |
| Accumulated amortisation | – | – | – |
| Net book amount | – | 2,028 | 2,028 |
| **Year ended 31st March 2008** | | | |
| Opening net book amount | – | 2,028 | 2,028 |
| Additions | – | – | – |
| Amortisation expense *(Note 19)* | – | – | – |
| Closing net book amount | – | 2,028 | 2,028 |
| **At 31st March 2008** | | | |
| Cost | – | 2,028 | 2,028 |
| Accumulated amortisation | – | – | – |
| Net book amount | – | 2,028 | 2,028 |
| **Year ended 31st March 2009** | | | |
| Opening net book amount | – | 2,028 | 2,028 |
| Additions | 150 | – | 150 |
| Amortisation expense *(Note 19)* | (13) | – | (13) |
| Closing net book amount | 137 | 2,028 | 2,165 |
| **At 31st March 2009** | | | |
| Cost | 150 | 2,028 | 2,178 |
| Accumulated amortisation | (13) | – | (13) |
| Net book amount | 137 | 2,028 | 2,165 |

## 7 INTANGIBLE ASSETS *(Continued)*

(a) The goodwill comes from the acquisition of its PRC subsidiaries in 2004 and the Group's Mainland China 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 25% for average growth rate and 8% 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.

(b) Amortisation expense of HK$13,000 (2008: HK$Nil) has been charged in cost of goods sold.

(c) Costs of computer softwares, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over five years.

## 8 INTERESTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost *(Note (a))* | **353,400** | 353,400 |
| Amounts due from subsidiaries *(Note (b))* | **23,475** | 58,751 |
| | **376,875** | 412,151 |

### (a) The following is a list of the principal subsidiaries at 31st March 2009:

| 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 | 100%[1] |
| 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% |

## 8 INTERESTS IN SUBSIDIARIES *(Continued)*

### (a) The following is a list of the principal subsidiaries at 31st March 2009: *(Continued)*

| Name | Place of incorporation and kind of legal entity | Principal activities and place of operation | Particulars of issued share capital and debt securities | Interest held |
|---|---|---|---|---|
| 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% |
| Beijing OMG Advertising Company Limited (北京萬華廣告有限責任公司) (Formerly known as Media2U (Beijing) Company Limited (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 RMB6,463,516 *(Note 29)* | 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 | 100% [2] |
| 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 | 100% [2] |
| Beijing OMG M2U Advertising Company Limited (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% |

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 indirect wholly-owned subsidiaries of the Company.

### (b) Amount due from subsidiaries

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

## 9 INVENTORIES

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Raw materials | **11,910** | 10,082 |

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$55,448,000 (2008: HK$66,458,000) (Note 19).

## 10 FINANCIAL INSTRUMENTS BY CATEGORY

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

### Group

| | **Loans and receivables** | **Assets at fair value through profit or loss** | **Total** |
|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 |
| **Assets** | | | |
| At 31st March 2009 | | | |
| Trade receivables *(Note 11)* | 38,653 | – | 38,653 |
| Other receivables | 215 | – | 215 |
| Financial assets at fair value through profit or loss *(Note 12)* | – | – | – |
| Cash and cash equivalents *(Note 13)* | 125,951 | – | 125,951 |
| Total | 164,819 | – | 164,819 |
| 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 |

## 10 FINANCIAL INSTRUMENTS BY CATEGORY *(Continued)*

### Group *(Continued)*

| | Other financial liabilities HK$'000 |
|---|---|
| **Liabilities** | |
| At 31st March 2009 | |
| Trade and other payables | 20,072 |
| Amounts due to fellow subsidiaries *(Note 16)* | 1,508 |
| Total | 21,580 |
| At 31st March 2008 | |
| Trade and other payables | 26,860 |
| Amounts due to fellow subsidiaries *(Note 16)* | 2,456 |
| Total | 29,316 |

### Company

| | Loans and receivables HK$'000 |
|---|---|
| **Assets** | |
| At 31st March 2009 | |
| Other receivables | 26 |
| Cash and cash equivalents *(Note 13)* | 113,901 |
| Total | 113,927 |
| At 31st March 2008 | |
| Other receivables | 313 |
| Cash and cash equivalents *(Note 13)* | 84,149 |
| Total | 84,462 |

| | Other financial liabilities HK$'000 |
|---|---|
| **Liabilities** | |
| At 31st March 2009 | |
| Trade and other payables | 31 |
| At 31st March 2008 | |
| Trade and other payables | 17 |

## 11 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade receivables | **39,515** | 58,721 | **–** | – |
| Less: provision for impairment of trade receivables | **(862)** | (549) | **–** | – |
| Trade receivables – net | **38,653** | 58,172 | **–** | – |
| Prepayments and deposits | **5,494** | 5,494 | **26** | 313 |
| | **44,147** | 63,666 | **26** | 313 |

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 2009 and 2008, the ageing analysis of the Group's trade receivables, net of impairment provision, was as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 60 days | **25,101** | 30,525 |
| 61 to 120 days | **10,122** | 14,866 |
| 121 to 180 days | **2,089** | 9,770 |
| Over 180 days | **1,341** | 3,011 |
| | **38,653** | 58,172 |

Trade receivables that are neither past due nor impaired amounted to HK$23,890,000 (2008: HK$25,218,000). 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 recognised 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 ranging from 60 to 120 days.

## 11 TRADE AND OTHER RECEIVABLES *(Continued)*

As of 31st March 2009, trade receivables of HK$14,763,000 (2008: HK$32,954,000) were past due but not impaired. These related to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Overdue by: | | |
| 0 to 60 days | **11,988** | 16,812 |
| 61 to 120 days | **1,872** | 14,110 |
| Over 120 days | **903** | 2,032 |
| | **14,763** | 32,954 |

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

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| HK dollars | **31,943** | 47,376 |
| RMB | **12,204** | 16,290 |
| | **44,147** | 63,666 |

During the year ended 31st March 2009, the Group recognised a loss of HK$354,000 (2008: HK$203,000) for the impairment of its trade receivables and directly written off an amount of HK$33,000 (2008: HK$202,000) as bad debts.

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

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| At 1st April | **549** | 1,494 |
| Provision for receivables impairment | **354** | 203 |
| Receivable written off during the year as uncollectible | **(49)** | (1,188) |
| Currency translation differences | **8** | 40 |
| At 31st March | **862** | 549 |

## 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.

Certain trade receivables amount to HK$2,571,000 (2008: HK$1,770,000) are secured by deposits and bank guarantees provided by the customers.

## 12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'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 management was not able to measure the embedded derivatives 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 pre-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 note will be redeemed based on the original principal amount.

## 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 pre-determined 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$4,409,000 (2008: HK$1,317,000) 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 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash at bank and in hand | **21,051** | 8,115 | **9,001** | 581 |
| Short-term bank deposits | **104,900** | 98,124 | **104,900** | 83,568 |
| | **125,951** | 106,239 | **113,901** | 84,149 |
| Maximum exposure to credit risk | **125,879** | 106,203 | **113,901** | 84,149 |

The effective interest rate on average short-term bank deposits was 1.59% (2008: 3.93%); 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 | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Cash and cash equivalents | **125,951** | 106,239 | **113,901** | 84,149 |

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$4,547,000 (2008: HK$9,927,000), of which the remittance is subject to foreign exchange control.

## 14 SHARE CAPITAL AND PREMIUM

| | Number of shares (in thousands) | Ordinary shares HK$'000 | Share premium HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 31st March 2007, 2008 and 2009 | 400,000 | 400 | 456,073 | 456,473 |

The total authorised number of ordinary shares is 4,000 million shares (2008: 4,000 million shares) with a par value of HK$0.001 per share (2008: 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 (the "Adoption Date"). 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 HK 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 of Hong Kong Limited (the "Stock Exchange"); and (b) no options would be offered or granted upon the commencement of dealings in the shares of 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 the independent non-executive directors) of the Group or MCI and its subsidiaries (the "MCI Group") (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.

## 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:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | 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 31st March** | **1.2** | **13,778** | 1.2 | 14,082 |
| Lapsed | **1.2** | **(1,240)** | 1.2 | (304) |
| **At 31st March** | **1.2** | **12,538** | 1.2 | 13,778 |

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 7,878,000 share options being exercisable as at 31st March 2009 (2008: 6,068,000 share options).

During the year, no share option was granted, exercised or cancelled and 1,240,000 (2008: 304,000) 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), 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 over one year or five years in accordance with terms specified in the Pre-IPO Share Option Scheme, HK$714,000 was recognised and specified in the consolidated income statement for the year ended 31st March 2009 (2008: HK$1,777,000).

## 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 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 loss 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 | – |
| Final 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) |

| | Retained earnings HK$'000 |
|---|---|
| **Representing:** | |
| **Proposed final dividend for 2007/2008** | 4,000 |
| **Others** | 35,701 |
| **Retained earnings as at 31st March 2008** | 39,701 |

**Notes to the Consolidated Financial Statements (Continued)**
For the year ended 31st March 2009

## 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 2008** | 5,158 | (343,050) | – | 2,452 | (122) | (335,562) | 39,701 | (295,861) |
| Currency translation differences | – | – | – | 517 | – | 517 | – | 517 |
| Actuarial loss on long service payment obligation | – | – | – | – | (478) | (478) | – | (478) |
| Net income recognised directly in equity | – | – | – | 517 | (478) | 39 | – | 39 |
| Profit for the year | – | – | – | – | – | – | 11,397 | 11,397 |
| Total recognised income for the year | – | – | – | 517 | (478) | 39 | 11,397 | 11,436 |
| Share compensation costs on share options granted *(Note 20)* | 714 | – | – | – | – | 714 | – | 714 |
| Final dividend paid relating to 2007/2008 | – | – | – | – | – | – | (4,000) | (4,000) |
| Interim dividend paid relating to 2008/2009 | – | – | – | – | – | – | (2,400) | (2,400) |
| **Balance at 31st March 2009** | 5,872 | (343,050) | – | 2,969 | (600) | (334,809) | 44,698 | (290,111) |

| | |
|---|---|
| **Representing:** | |
| **Proposed final dividend for 2008/2009** | 4,600 |
| **Others** | 40,098 |
| **Retained earnings as at 31st March 2009** | 44,698 |

## 15 RESERVES *(Continued)*

### (a) Group *(Continued)*

*Notes:*

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*" ceased its business with effect from April 2008, on 31st March 2008, the board of directors of MPML passed the written resolution to approve the transfer of such non-distributable reserve to the retained earnings of MPML on the same date.

### (b) Company

| | **Retained earnings** HK$'000 |
|---|---|
| **Balance at 1st April 2007** | 1,940 |
| Profit for the year | 39,683 |
| Final dividend paid relating to 2006/2007 | (1,500) |
| **Balance at 31st March 2008** | 40,123 |
| **Representing:** | |
| Proposed final dividend paid for 2007/2008 | 4,000 |
| Others | 36,123 |
| | 40,123 |
| **Balance at 1st April 2008** | 40,123 |
| Profit for the year | 575 |
| Final dividend paid relating to 2007/2008 | (4,000) |
| Interim dividend paid relating to 2008/2009 | (2,400) |
| **Balance at 31st March 2009** | 34,298 |
| **Representing:** | |
| Proposed final dividend for 2008/2009 | 4,600 |
| Others | 29,698 |
| | 34,298 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade payables | **6,794** | 8,077 | **–** | – |
| Accrued expenses and receipts in advance | **14,314** | 20,099 | **31** | 17 |
| | **21,108** | 28,176 | **31** | 17 |
| Amounts due to fellow subsidiaries *(Note 28)* | **1,508** | 2,456 | **–** | – |
| | **22,616** | 30,632 | **31** | 17 |

At 31st March 2009 and 2008, the ageing analysis of the trade payables was as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 to 60 days | **4,391** | 7,152 |
| 61 to 120 days | **1,870** | 548 |
| 121 to 180 days | **337** | 340 |
| Over 180 days | **196** | 37 |
| | **6,794** | 8,077 |

## 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 | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Deferred income tax liabilities: | | |
| – Deferred income tax liabilities to be recovered within 12 months | **303** | 525 |

## 17 DEFERRED INCOME TAX *(Continued)*

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

| | Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Beginning of the year | **(525)** | 1,499 |
| Credited/(charged) in the consolidated income statement *(Note 21)* | **222** | (2,024) |
| End of the year | **(303)** | (525) |

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 2007 | (2,007) |
| Charged in the consolidated income statement | 2,007 |
| At 31st March 2008 and 31st March 2009 | – |

Deferred income tax liabilities:

| | **Accelerated depreciation allowances** |
|---|---|
| | HK$'000 |
| At 1st April 2007 | 508 |
| Charged in the consolidated income statement | 17 |
| At 31st March 2008 | 525 |
| Credited to the consolidated income statement | (222) |
| At 31st March 2009 | 303 |

## 17 DEFERRED INCOME TAX *(Continued)*

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$3,789,000 (2008: HK$2,282,000) in respect of losses amounting to HK$16,588,000 (2008: HK$6,100,000) that can be carried forward against future taxable income. These tax losses have not been recognised due to uncertainty of their future recoverability. The tax losses will expire according to the prevailing tax laws and regulations in the countries in which the Group operates.

## 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:

| | **2009<br>HK$'000** | 2008<br>HK$'000 |
|---|---|---|
| Present value of the long service payment obligation | **649** | 140 |

The long service payment obligation is repayable over five years (2008: five years).

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

| | **2009<br>HK$'000** | 2008<br>HK$'000 |
|---|---|---|
| Beginning of the year | **140** | 78 |
| Current service cost | **27** | 11 |
| Interest cost | **4** | 3 |
| Actuarial loss on obligation | **478** | 48 |
| End of the year | **649** | 140 |

Movement in the provision for long service payment is as follows:

| | **2009<br>HK$'000** | 2008<br>HK$'000 |
|---|---|---|
| Beginning of the year | **140** | 78 |
| Charged to the consolidated income statement | **31** | 14 |
| Actuarial losses recognised in the consolidated statement of recognised income and expense | **478** | 48 |
| End of the year | **649** | 140 |

## 18 LONG SERVICE PAYMENT *(Continued)*

The amounts recognised in consolidated statement of recognised income and expense are as follows:

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Cumulative amount of actuarial losses at beginning of the year | **(122)** | (74) |
| Net actuarial loss during the year | **(478)** | (48) |
| Cumulative amount of actuarial losses at end of the year | **(600)** | (122) |

The principal actuarial assumptions used are as follows:

| | **2009** | 2008 |
|---|---|---|
| Average future working lifetime (in years) | **10** | 9 |
| Discount rate (%) | **1.9** | 2.6 |
| Expected rate of return of assets (%) | **4.0 to 7.0** | 4.0 to 7.0 |
| Expected rate of future salary increases (%) | | |
| – 2009 to 2010 (2008: 2008 to 2009) | **Nil** | 3.0 |
| – 2011 and onwards (2008: 2010 and onwards) | **4.0** | 4.0 |

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

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| As at 31st March | | |
| Present value of the long service payment obligation | **649** | 140 |
| Experience adjustment on the long service payment obligation | **443** | 13 |

## 19 EXPENSES BY NATURE

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Depreciation *(Note 6)* | 3,383 | 3,295 |
| Amortisation of intangible assets *(Note 7)* | 13 | – |
| Employee benefit expense (including directors' emoluments) *(Note 20)* | 61,447 | 62,787 |
| Raw materials used *(Note 9)* | 55,448 | 66,458 |
| Loss on disposal of property, plant and equipment | 3 | 80 |
| Occupancy costs | 3,931 | 3,857 |
| Auditor's remuneration | 914 | 882 |
| Others | 70,662 | 68,389 |
| | 195,801 | 205,748 |

## 20 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Wages and salaries | 55,800 | 56,480 |
| Social security costs *(Note a)* | 1,978 | 1,869 |
| Share compensation costs on share options granted *(Note 14)* | 714 | 1,777 |
| Pension costs – defined contribution plans and MPF *(Note 28(i))* | 1,582 | 1,537 |
| Staff welfare and allowances | 1,373 | 1,124 |
| | 61,447 | 62,787 |

### (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.

## 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 2009 is set out below:

| Name of Director | Fees HK$'000 | Salary HK$'000 | Bonuses HK$'000 | Employer's contribution to pension scheme HK$'000 | Share compensation costs HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Executive Directors* | | | | | | |
| Mr. TIONG Kiu King | – | – | – | – | 67 | 67 |
| Mr. TIONG Kiew Chiong | – | – | 137 | – | 67 | 204 |
| Mr. TUNG Siu Ho, Terence | – | 1,923 | 208 | 96 | 54 | 2,281 |
| Mr. Robert William Hong-san YUNG*1 | – | 52 | – | 1 | 4 | 57 |
| Mr. Peter Bush BRACK*2 | – | 281 | – | 2 | 11 | 294 |
| *Non-executive Director* | | | | | | |
| Mr. Peter Bush BRACK*2 | 100 | – | – | – | 56 | 156 |
| *Independent Non-executive Directors* | | | | | | |
| Mr. YU Hon To, David | 140 | – | – | – | 8 | 148 |
| Mr. SIT Kien Ping, Peter | 130 | – | – | – | 8 | 138 |
| Mr. TAN Hock Seng, Peter | 125 | – | – | – | 8 | 133 |

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

*2 Mr. Peter Bush BRACK re-designated as non-executive Director on 1st June 2008.

## 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 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 |

### (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 1 (2008: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4 (2008: 3) individuals during the year are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Basic salaries, other allowances and benefits in kind | **6,158** | 4,613 |
| Discretionary bonuses | **423** | 363 |
| Contributions to pension scheme | **154** | 136 |
| Share compensation costs on share options granted | **99** | 246 |
| | **6,834** | 5,358 |

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

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

The emoluments of the four (2008: three) remaining individuals fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2009** | 2008 |
| 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** | 1 |

## 21 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit during the year ended 31st March 2009.

No provision for the PRC enterprise income tax has been made as the Group has no assessable profits generated in PRC during the years ended 31st March 2009 and 2008.

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Hong Kong profits tax | | |
| – current income tax | **(6,705)** | (3,959) |
| – over-provisions in prior years | **25** | – |
| PRC enterprise income tax | | |
| – under-provisions in prior years | **–** | (4) |
| Deferred income tax *(Note 17)* | | |
| – current deferred income tax credit/(charge) | **222** | (2,024) |
| | **(6,458)** | (5,987) |

## 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:

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Profit before tax | **17,855** | 18,007 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | **(1,763)** | (2,186) |
| Income not subject to tax | **251** | 634 |
| Expenses not deductible for tax purposes | **(1,211)** | (1,648) |
| Tax losses for which no deferred income tax asset was recognised | **(3,789)** | (2,783) |
| Effect on deferred tax resulting from a change in tax rates | **29** | – |
| Over/(under) provisions in prior years | **25** | (4) |
| Tax expense | **(6,458)** | (5,987) |

The weighted average applicable tax rate was 9.9% (2008: 12.1%). The decrease is caused by a reduction in tax rates applied in Hong Kong and 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$575,000 (2008: HK$39,683,000).

## 23 EARNINGS PER SHARE

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

| | **2009** **HK$'000** | 2008 HK$'000 |
|---|---|---|
| Profit attributable to equity holders of the Company | **11,397** | 12,020 |
| Weighted average number of ordinary shares in issue (in thousands) | **400,000** | 400,000 |
| Basic earnings per share (HK cents per share) | **2.85** | 3.01 |

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

## 24 DIVIDENDS

During the year ended 31st March 2009, HK$4,000,000 (HK1 cent per share) of final dividend for the year ended 31st March 2008 and HK$2,400,000 (HK0.6 cent per share) of interim dividend for the year ended 31st March 2009 were paid. During the year ended 31st March 2008, HK$1,500,000 (HK0.375 cent per share) of final dividend for the year ended 31st March 2007 was paid.

The Directors recommended the payment of a final dividend of HK1.15 cents per share, totalling HK$4,600,000. Such dividend is to be approved by the shareholders at the annual general meeting of the Company on 25th August 2009. Upon approval by the shareholders of the Company, this final dividend will be paid on 10th September 2009. These consolidated financial statements do not reflect this dividend payable but accounted for it as proposed dividend.

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Interim dividend of HK0.6 cent (2008: Nil) per ordinary share | **2,400** | – |
| Proposed final dividend of HK1.15 cents (2008: HK1 cent) per ordinary share | **4,600** | 4,000 |
| | **7,000** | 4,000 |

## 25 CASH GENERATED FROM OPERATIONS

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Profit before income tax | **17,855** | 18,007 |
| Adjustments for: | | |
| – Depreciation *(Note 6)* | **3,383** | 3,295 |
| – Amortisation of intangible assets *(Note 7)* | **13** | – |
| – Loss on disposal of property, plant and equipment (see below) | **3** | 80 |
| – Interest income *(Note 5)* | **(1,629)** | (3,856) |
| – Share compensation costs on share options granted *(Note 14)* | **714** | 1,777 |
| – Change in fair value of financial assets at fair value through profit or loss | **4,409** | 1,317 |
| – Provision for receivables impairment *(Note 11)* | **354** | 203 |
| – Foreign exchange losses on operating activities | **389** | 2,107 |
| – Costs related to long service payment scheme *(Note 18)* | **31** | 14 |
| Changes in working capital: | | |
| – (Increase)/decrease in inventories | **(1,828)** | 907 |
| – Decrease/(increase) in trade and other receivables | **19,165** | (5,693) |
| – Decrease in amounts due to fellow subsidiaries | **(948)** | (686) |
| – (Decrease)/increase in trade and other payables | **(7,068)** | 50 |
| Cash generated from operations | **34,843** | 17,522 |

## 25 CASH GENERATED FROM OPERATIONS *(Continued)*

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

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Net book amount *(Note 6)* | **189** | 369 |
| Loss on disposal of property, plant and equipment | **(3)** | (80) |
| Proceeds from disposal of property, plant and equipment | **186** | 289 |

## 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 | |
|---|---|---|
| | 2009 HK$'000 | 2008 HK$'000 |
| No later than 1 year | **3,084** | 3,050 |
| Later than 1 year and no later than 5 years | **–** | 2,318 |
| | **3,084** | 5,368 |

There is no capital and operating lease commitment for the Company as at 31st March 2009 (2008: Nil).

## 27 BANK FACILITIES

The Group has the following undrawn bank facilities:

| | Group | |
|---|---|---|
| | 2009 HK$'000 | 2008 HK$'000 |
| Floating rate | | |
| – expiring within one year | **41,000** | 41,000 |

The facilities expiring within one year are annual facilities subject to review at various dates during 2009.

## 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 2009, the Group had entered into the following significant transactions with fellow subsidiaries:

| | Notes | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| License fees | *a* | **12,345** | 13,005 |
| Circulation support services | *b* | **1,607** | 1,552 |
| Library support fee | *c* | **389** | 394 |
| Editorial support fee | *d* | **–** | 84 |
| IS programming support services | *e* | **671** | 617 |
| Administrative support services | *f* | **1,992** | 1,920 |
| Human resources, corporate communications and legal services | *g* | **1,342** | 678 |
| Leasing of computers and other office equipment | *h* | **179** | 207 |
| Leasing of office space, storage space and parking spaces | *i* | **1,768** | 1,805 |
| Type-setting expenses | *j* | **89** | 103 |
| Colour separation expenses | *k* | **14** | 72 |
| Film making expenses | *l* | **18** | 239 |
| Ticketing and accommodation expenses | *m* | **996** | 996 |
| Barter advertising expenses | *n* | **1,697** | 1,293 |
| Barter advertising income | *o* | **(1,697)** | (1,293) |
| Printing costs | *p* | **–** | 135 |
| Promotion expenses | *q* | **5** | 150 |
| Pension costs – defined contribution plan | *r* | **1,582** | 1,537 |
| | | **22,997** | 23,494 |

*Notes:*

(a) This represented license fees of the right to use the trademark for the printing of "*Ming Pao Weekly*", "*Hi-Tech 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.

## 28 RELATED-PARTY TRANSACTIONS *(Continued)*

### (i) During the year ended 31st March 2009, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

*Notes: (Continued)*

(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.

(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 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. 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.

## 28 RELATED-PARTY TRANSACTIONS *(Continued)*

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

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Amounts due to fellow subsidiaries | **1,508** | 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

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Salaries and other short-term employee benefits | **6,628** | 5,894 |
| Contributions to pension scheme | **192** | 121 |
| Share compensation costs on share options granted | **273** | 898 |
| | **7,093** | 6,913 |

## 29 SUBSEQUENT EVENTS

In April 2009, Media2U Company Limited, a subsidiary of the Company, transferred an amount of RMB5,821,462 (equivalent to HK$6,615,596), as injection of additional capital to its subsidiary, Beijing OMG Advertising Company Limited (北京萬華廣告有限責任公司).

# Five-Year Financial Summary

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

| | For the year ended 31st March | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Turnover | **207,941** | 219,899 | 219,429 | 187,975 | 177,115 |
| Profit attributable to the equity holders of the Company | **11,397** | 12,020 | 3,077 | 7,027 | 22,386 |
| Basic earnings per share | **2.85 cents** | 3.01 cents | 0.77 cent | 2.05 cents | 7.58 cents |

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

| | As at 31st March | | | | |
|---|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 | 2005 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Property, plant and equipment | **7,008** | 9,545 | 9,474 | 4,461 | 2,626 |
| Intangible assets | **2,165** | 2,028 | 2,028 | 2,028 | 2,028 |
| Defined benefit plan's assets | **–** | – | – | – | 924 |
| Financial asset at fair value through profit or loss | **–** | 4,409 | 3,776 | – | – |
| Deferred income tax assets | **–** | – | 1,499 | 3,739 | – |
| Current assets | **182,008** | 179,987 | 160,522 | 159,218 | 59,454 |
| Current liabilities | **(23,867)** | (34,692) | (31,361) | (27,976) | (42,059) |
| Net current assets | **158,141** | 145,295 | 129,161 | 131,242 | 17,395 |
| Total assets less current liabilities | **167,314** | 161,277 | 145,938 | 141,470 | 22,973 |
| Long service payment liability | **(649)** | (140) | (78) | (90) | (9) |
| Deferred income tax liabilities | **(303)** | (525) | – | – | (241) |
| Capital and reserves attributable to the equity holders of the Company | **166,362** | 160,612 | 145,860 | 141,380 | 22,723 |

**HONG KONG 香港** 16/F, Block A, Ming Pao Industrial Centre, 18 Ka Yip Street, Chai Wan, Hong Kong 香港柴灣嘉業街18號明報工業中心A座16樓 Tel: (852) 3605 3705 Fax: (852) 2898 2527 **BEIJING 北京** 19/F, Tower A, Full Link Plaza,18 Chaoyangmenwai Ave., Chaoyang District, Beijing, China 100020 北京市朝陽區朝陽門外大街18號豐聯廣場大廈A座19層 (100020) Tel: (8610) 6588 6161 Fax: (8610) 6588 9677 **SHANGHAI 上海** Unit 1903, 19/F, Shenshi Mansion, 511 Weihai Road, Shanghai, China 200041 上海市威海路511號紳士大廈19層1903室 (200041) Tel: (8621) 6141 9111 Fax: (8621) 6141 9100 **GUANGZHOU 廣州** Unit C, 30/F, Zhongqiao Mansion, 76 Xianlie Zhonglu, Guangzhou, China 510095 廣州市先烈中路76號中僑大廈30樓C單元 (510095) Tel: (8620) 2237 0256 Fax: (8620) 2237 0281 內線 880