New Media Group Holdings Limited

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

08/09 Annual Report

新傳媒集團控股有限公司

新傳媒集團控股有限公司
New Media Group Holdings Limited

Rise 'n Shine !

New Media Group Holdings Limited

08/09

Annual Report

Contents

CORPORATE INFORMATION


New Media Group
Holdings Limited
08/09
Annual Report

Directors

Percy Hughes, Shirley (Chief Executive Officer)
Lee Che Keung, Danny
Wong Chi Fai
Fan Man Seung, Vanessa
Hui Wai Man, Shirley*
Tse Hin Lin, Arnold*
Kwan Shin Luen, Susanna*

** Independent Non-executive Directors*

Company Secretary

Liu Chui Ying

Audit Committee

Hui Wai Man, Shirley (Chairperson)
Tse Hin Lin, Arnold
Kwan Shin Luen, Susanna

Remuneration Committee

Wong Chi Fai (Chairman)
Tse Hin Lin, Arnold
Kwan Shin Luen, Susanna

Auditor

Deloitte Touche Tohmatsu

CORPORATE INFORMATION

Compliance Adviser
SinoPac Securities (Asia) Limited
21st Floor, One Peking Road
Tsimshatsui
Hong Kong

Registered office, headquarters and principal place of business
10th Floor, Johnson Building
No.14-16 Lee Chung Street, Chai Wan
Hong Kong

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

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited

Website
http://www.nmg.com.hk

Stock Code
708

New Media Group Holdings Limited

08/09

Annual Report

Management Discussion and Analysis

Financial Highlights

For the 15-month period ended 30th June, 2009

	Period ended 30th June, 2009 (15 months) HK$'000	Year ended 31st March, 2008 (12 months) HK$'000
Turnover		
Circulation income	**163,387**	140,108
Advertising income	**384,319**	308,468
Provision of magazine content	**5,806**	3,797
	553,512	452,373
Gross profit	**192,219**	148,674
Less:		
Share option costs	**2,080**	485
Impairment loss on intangible assets	**3,490**	–
Impairment loss on available-for-sale investment	**1,500**	–
Profit for the period/year attributable to the equity holders of the Company	**38,762**	31,174
Earnings per share – Basic	**HK cents 6.46**	HK cents 6.63

ew Media Group Holdings Limited

08/09 Annual Report

Overview

New Media Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") is one of Hong Kong's leading magazine groups. It owns and publishes five weekly magazines in Hong Kong, namely *Oriental Sunday* (*東方新地*), *Weekend Weekly* (*新假期*), *New Monday* (*新Monday*), *Fashion and Beauty* (*流行新姿*) and *Economic Digest* (*經濟一週*), each with distinguished and well-established status in their respective markets, possessing community of loyal readers from various sectors and age groups.

Overview

The economic downturn resulted in a negative but mild impact on the Group's operating environment during the first half of the 15 months period ended 30th June, 2009 ("15-month Period"), but the situation had worsened during the second half. The Group managed to control and reduce its impact and business has begun picking up and recovering gradually over the past six months. Although the business environment remains tough and unpredictable, the Group will continue to closely monitor the impact of global economy on the local market, execute streamlining strategies without compromising quality of content and service to readers and clients, and utilise its resources with caution. While staying focused in maintaining its market leadership, the Group is also determined to grow, take on new challenges and seek to shine in new heights.

Financial Review

The Group was able to maintain a leading position in the sales-driven magazine sector and deliver a promising profit for the 15-month Period. During the 15-month Period, the Group achieved a turnover of HK$553.5 million, a 22.3% increase from HK$452.4 million (12 months) previously. Gross profit improved by 29.2% to HK$192.2 million (2008: HK$148.7 million).

The Group's main sources of revenue are from advertising sales and circulation. The Group reported a stable advertising revenue of HK$384.3 million, rising from HK$308.5 million in the previous year. Income from circulation of magazines as well as pocket books reached HK$163.4 million (2008: HK$140.1 million).

Profit for the 15-month Period, after impairment loss on some intangible assets of HK$3.5 million (2008: Nil) and impairment loss on available-for-sale investment of HK$1.5 million (2008: Nil), amounted to HK$38.8 million (2008: HK$31.2 million).

Oriental Sunday

As one of the leading titles among local weeklies, *Oriental Sunday* covers a wide range of topics, from the latest entertainment news and celebrity gossips to fashion and lifestyle, shopping, dining and health tips. With its rich and diversified editorial content, the magazine has secured a loyal readership base and a strong advertising network over the years.

Although the overall consumer industry had been greatly adversely affected by the financial turmoil, the magazine was able to retain its strong position in the weeklies market. *Oriental Sunday* was the best-selling entertainment magazine in Hong Kong with the highest circulation of its kind in the second half year of 2008. According to The Hong Kong Audit Bureau of Circulations Limited, *Oriental Sunday* had an average net circulation per issue of 174,187 for the period from 1st July to 31st December, 2008. The solid proof of its popularity among readers helped to boost its sales and further enhanced its position as a leading publication among retailers and advertisers.

To ride on its edge as a publication with a strong readership base and on its potential to reach a much wider scope of online viewers, *Oriental Sunday* has commenced its electronic direct marketing campaign in July 2009 for a new channel to generate revenue. Its own dedicated website has also been undergoing a technical reconstruction to prepare it for the re-launch by the end of this year. The enhanced website will allow instant updates of features and highlights of entertainment news and gossips.

新假期週刊

Weekend Weekly

Weekend Weekly managed to maintain a wide readership and a steady income from its advertising clients despite an alarmingly unstable economy which had hit the travel and dining industries particularly hard. Instead of slowing down its pace to wait for an economic recovery, the team actually stepped up its efforts to expand its scope of services and expand its client base by offering more diversified advertising packages to clients to gain greater exposure and competitiveness during the tough times.

In addition to publishing featured booklets for travel and dining, *Weekend Weekly* also launched a recipe book for home cooking, which gained much popularity and further strengthened its connoisseur image. Meanwhile, *Weekend Weekly* had also put in extra resources to crossover to the online and mobile platforms, leveraging on its expertise in the travel and dining areas. Its website had undergone significant restructuring and upgrading to provide tailor-made features to cater specifically to the unique lifestyle of the new generation of young active internet users. Trendy Web 2.0 elements and multi-functional interactive features were added to draw in greater traffic and usage.

To stay ahead in the world of mobile technologies, the magazine had launched a data searching application to enable iPhone and Nokia N97 users to access to its dining database on their mobile phones, locating restaurants with GPS function and instantly uploading their photos and comments onto the website.

Weekend Weekly also jointly launched with *New Monday* a highly publicised cross-media campaign "*Doodmeco*" in September 2008. The service allowed readers to use their handsets to interact with the barcodes printed in the magazines to get enhanced audio and visual content through the mobile network. The campaign had won a Bronze Award in the prestigious "Hong Kong ICT Award 2008" under the "Best Ubiquitous Networking (Mobile Infotainment Application) Award" category. Its PSP Travel Robot series was also rewarded a "Certificate of Special Mention" under the "Best Digital Entertainment Award" category in the competition.

New Media Group Holdings Limited

08/09

Annual Report

Review of Operations

新 Monday

Bee. newmonday.com.hk

HONEY

New Monday

New Monday is among the most popular youth magazines in Hong Kong, targeting youths of both genders aged 15 to 29. To best fit their rapid-changing lifestyle and tastes, the magazine had successfully blended into their channels of communication, providing them with infotainment updates on popular culture. Serving as a trendsetter for the readers, *New Monday* has finetuned its positioning from being heavily-focused on pop idols and fashion to tipping balance more in favour of youth entertainment news and trends. Since March 2009, the magazine has focused more on hot and trendy lifestyle topics such as entertainment news and gossips, popular culture, fashion, movies, games, as well as the latest gadgets and accessories. It has also won a Bronze Medal for Magazine (Web-fed printing) at the "CHINA PRINT AWARDS 2007-2008" for its #430 issue, showing that the printing quality of the magazine is also of the highest standard.

During the 15-month Period, the magazine had devoted great efforts in further enhancing its presence and brand-name in the online community. The magazine has revamped its website to 2.0 version to provide more daily updated news on entertainment stars and pop idols, and allow online users to engage in interactive activities such as voting corners and discussion groups.

A new website called "*BEE*" (http://bee.newmonday.com.hk) was also launched in late November 2008, dedicated to young male users with trendy fashion news and discussion of the latest talking points in town. Backed by effective marketing and networking activities, the popularity of "*BEE*" has been climbing with encouraging speed, currently reaching an accumulative page view of over 800,000 in the month of August 2009.

New Media Group Holdings Limited
08/09
Annual Report

Review of Operations

Fashion & Beauty 流行新姿

Fashion and Beauty

Fashion and Beauty has a distinctive positioning as a fashion and beauty guide, serving the market of style-conscious and trend-loving young female readers, especially office ladies aged between 20 and 35 with a passion for quality life. Its readership has been steady and strong. As a high-end beauty and fashion guide, its printing quality has also been under the strictest internal control. Its #257 issue also won a Silver Medal in printing for Magazine (Web-fed printing) at the "CHINA PRINT AWARDS 2007-2008". It is again a recognition for the printing quality of the Group's magazines.

Fashion and Beauty launched its website in January 2009, in line with the strategic developments of the Group's other magazines. It features blogs and forums by beauty experts, fashion designers as well as hair and make-up artists, creating an interactive OL community for sharing tips on fashion style and makeup trends. Its 2009 OL Beauty Contest has gained the highest ever voting rate since the competition debuted three years ago. The entries for its OL Brand Award had also increased significantly, reflecting its increasing popularity among OL readers and advertisers alike.

ECONOMIC DIGEST
經濟一週

Economic Digest

Economic Digest is a professional and authoritative finance and investment guide with a history of over 20 years in Hong Kong. It is highly sought after by loyal readers looking for the most up-to-date market outlooks and tips from prominent investment and finance experts. It is focused and detailed in providing the most current market information and analysis to affluent, young, well-educated investors and entrepreneurs.

Although the general poor economic situation had obvious effects on the financial sectors, which in turn affected businesses in the finance and investment market, *Economic Digest*'s core readers had kept on a strong interest in pursuing news and reviews in the magazine. Its loyal readership base has once again proven the magazine's status as a longstanding and reliable financial guide in the market. As a result, its overall business has also remained profitable.

The magazine has launched an electronic direct marketing campaign as part of the Group's business diversification strategy to provide up-to-date financial data and summary analysis in the format of online mailing. It aims at broadening the magazine's readership base and creating additional value for its content.

Books Publishing

The Group publishes books on hot topics and titles based on market demands, such as travel and dining guide series, market analysis guides, comics, as well as reference and self-help books. During the 15-month Period, a total of 55 new titles were published and sold in Hong Kong through various retail points.

The division also aims at developing new concepts and gimmicks to draw in additional revenue, while keeping pace with the Group's diversification strategies and tapping into new opportunities. Complementing the Group's Doodmeco project, the Group's book publishing division had launched a travel guide with a special 2D barcode imprinted on its cover, which allows readers to download a map to their mobile handsets beforehand for easy access while looking for directions on the go. Apart from its regular sales, it has also engaged in sourcing and selling trendy merchandise at the annual Hong Kong Book Fair. The activity turned out to be a great success and was greatly received.

Corporate Social Responsibilities

During the 15-month Period, the Group had granted more than 100 free full-page advertising placements in the Group's five magazines to charitable, non-profit-making organisations to fulfil its corporate social responsibility as a publisher. The advertisements had featured Hong Kong Agency for Volunteer Service, Senior Citizen Home Safety Association, Project ORBIS, Fu Hong Society, Heep Hong Society, Hong Kong Red Cross, Sowers Action and the Hong Kong Cancer Fund etc.

The Group had also actively approached various social organisations and charitable bodies in the community to help promote their works and efforts and offer volunteer works.

Earlier in the year, the Group had co-organised a basketball friendly match with Youth Outreach to help promote and publicise their outreaching programs and round-the-clock crisis centres for youngsters. The Group also offered a free photo-taking service for over 100 elderly members of the ELCHK Shatin Multi-Service Centre for the Elderly, and participated in the "School-Company Partnership" program organised by the Young Entrepreneurs Development Council to support the mission of fostering entrepreneurship in secondary school students.

Another significant charity event participated by the Group had been the friendship tour of nearly 100 volunteers to Leigu County, Sichuan Province, led by artistes Charlene Choi, Gillian Chung, Yumiko Cheng and Don Li, in echo to the other relief efforts the Group made shortly after the 512 Earthquake. The tour was jointly staged by Emperor Entertainment Group, Emperor Foundation and Social Workers Across Borders in September 2008, with the aim to spend the first Mid-Autumn Festival after the disaster with the residents there. The volunteers paid home visits to earthquake-affected families and participated in the construction of some sports facilities at the campus of a rebuilt school.

A blood collection session for the Hong Kong Red Cross was also held at the Group's office to enable its staff to donate blood and give their support to the community. Being environmental friendly, the Group had participated in the "Earth Hour" lights off global climate campaign organised by the WWF, encouraging also its staff to switch off non-essential lighting at home on 28th March, 2009.

While the Group's magazines are all growing healthily and sturdily in the weeklies market, the Group has cautiously and continuously studied diversification opportunities to enable the highest possible leverage on its business. The Group has formed with its existing manpower a core multimedia development team, dedicated to exploring new ideas and developments in the online and mobile environments, as well as a special online sales section, aiming mainly to line up online sales projects for the Group.

As stated and scheduled earlier as one of the Group's major enhancement projects at the time of listing, the new self-developed publishing system "NMPS" (New Media Publishing System) has finally entered its initial trial period after months of hard work and coordination between the technical and frontline teams. Once the system has completed its full migration, it will be a breakthrough for the Group's publication business, allowing the entire editorial operation to run smoothly under a streamlined and automated environment with easily manageable workflow. This will hopefully further enable the Group to maintain its operation efficiencies and to control its production costs, in order to sustain its healthy financial conditions and market presence and enhance its returns for its shareholders.

Capital Structure, Liquidity and Financial Resources

There is no change in the Capital Structure of the Company for the 15-month Period.

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

As at 30th June, 2009, the Group had no bank and other borrowing (2008: Nil).

As at 30th June, 2009, the Group's gearing ratio was nil (2008: Nil) (calculated based on the basis of total bank and other borrowings over total assets).

The Group had limited exposure to fluctuation in exchange rates.

Employee and Share Option Scheme

As at 30th June, 2009, the Group has 565 employees (2008: 501). Total staff costs (including Directors' remuneration) were approximately HK$199.4 million (2008: HK$148.5 million).

To provide incentives or rewards to the staff and Directors, the Company adopted a share option scheme on 18th January, 2008. No option was granted by the Company under such share option scheme since its adoption and up to 30th June, 2009.

On 18th January, 2008, a total of 7,500,000 share options were granted to two Executive Directors of the Company at an exercise price of HK$0.68 per share under the terms of the Pre-IPO Share Option Scheme adopted by a resolution in writing passed by the sole shareholder on 18th January, 2008. No share options were exercised since 18th January, 2008 and up to 30th June, 2009 and accordingly the outstanding share options as at 30th June, 2009 were 7,500,000 share options.

Charge on Assets

None of the Group's assets were pledged as at 31st March, 2008 and 30th June, 2009.

Contingent Liabilities

Certain subsidiaries of the Group were involved in legal proceedings or claims against them in the ordinary course of their business activities during the 15-month Period. In the opinion of the Directors of the Company, resolution of such litigation and claims will not have a material adverse effect on the Group's financial position and no further provision for any potential liability in the consolidated balance sheet is considered necessary.

As at 30th June, 2009, the Company did not have significant contingent liabilities.

Biographies of Directors and Senior Executives

New Media Group Holdings Limited

08/09

Annual Report

Executive Directors

Percy Hughes, Shirley, aged 46, is an Executive Director and the Chief Executive Officer of the Group. She is responsible for the Group's strategic development and overseeing the operations. She has over 27 years' experience in the media and publishing business. Ms. Shirley Hughes joined the Group in November 2002. Prior to joining the Group, Ms. Shirley Hughes had worked for Hong Kong Commercial Broadcasting Company Limited as freelance program presenter, and program presenter and producer respectively during the period from 1989 to 1994. Afterwards, she was employed as channel manager of Entertainment Channel and then as controller for program development and production under Hong Kong Cable Television Limited during the period from 1994 to 2002.

Lee Che Keung, Danny, aged 47, is an Executive Director of the Group. He has over 28 years' experience in the media business and is responsible for overseeing the sales and marketing function of the Group. Mr. Lee joined the Group in June 1999. Prior to joining the Group, Mr. Lee had worked for Eat and Travel Weekly Company Limited and SCMP Haymarket Publishing Limited as sales director respectively during the period from 1998 to 1999. In addition, Mr. Lee was employed by Ming Pao Newspaper Limited as sales director and Express Management Limited as sales controller during the period from 1988 to 1997.

Wong Chi Fai, aged 53, is an associate of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He is the Chairman of the Remuneration Committee of the Company. He is also a director of Emperor International Holdings Limited ("EIHL"), Emperor Entertainment Hotel Limited ("EEH"), Emperor Entertainment Group Limited ("EEG") and Emperor Watch & Jewellery Limited ("EWJ"). EIHL, EEH and EWJ are companies listed on the Main Board of Stock Exchange whilst EEG is a company listed on the GEM Board of the Stock Exchange. Having over 20 years of finance and management experience, Mr. Wong has diversified experience in different businesses ranging from media and publication to manufacturing, financial and securities operations, artiste management and entertainment production, hotel and hospitality, property investment and development as well as watch and jewellery retailing. Mr. Wong has been involved in the management of the Group since June 1999.

Fan Man Seung, Vanessa, aged 46, is a lawyer by profession in Hong Kong and a qualified accountant. She also holds a Master's Degree in Business Administration. She is also a director of EIHL, EEH, EEG and EWJ. Having over 20 years of corporate management experience, she possesses diversified experience in different businesses including media and publication, property investment and development, hotel and hospitality, financial and securities operations, artiste management and entertainment production as well as watch and jewellery retailing. Ms. Fan has been involved in the management of the Group since June 1999.

Independent Non-executive Directors

Hui Wai Man, Shirley, aged 42, was appointed as Independent Non-executive Director on 16th January, 2008. She is the Chairman of the Audit Committee of the Company. Ms. Hui is a practicing accountant in Hong Kong and she has over 20 years of professional experience in public accounting and corporate finance. She is a fellow of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. She is also a non-executive director and chairlady of Eco-Tek Holdings Limited, a company listed on the GEM Board of the Stock Exchange and an independent non-executive director of Goldin Financial Holdings Limited (formerly known as Fortuna International Holdings Limited), Freeman Corporation Limited and Mascotte Holdings Limited, all these companies are listed on the Main Board of the Stock Exchange.

Tse Hin Lin, Arnold, aged 56, was appointed as Independent Non-executive Director on 16th January, 2008. He is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Tse holds a Bachelor's Degree in Social Science (Statistics and Geography) and also a Law Degree. He had practiced as a barrister in Hong Kong between 1987 and 1988. He was admitted as a solicitor in 1990 and founded his present firm, ATL Law Offices on 1st July, 2008. Mr. Tse practiced commercial and corporate law, including advising on cross-border acquisitions and commercial transactions.

Kwan Shin Luen, Susanna, aged 42, was appointed as Independent Non-executive Director on 16th January, 2008. She is a member of the Audit Committee and Remuneration Committee of the Company. Ms. Kwan is a corporate finance lawyer, qualified in both Hong Kong and the United Kingdom. Ms. Kwan has over 15 years of post qualification experience specialises in corporate finance matters. During the period from 2001 to 2004, she was in charge of the corporate finance department of Gallant Y.T. Ho & Co. Ms. Kwan is currently the Chief Legal & Planning Officer and the Company Secretary of Hembly International Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Directors' Report

The directors of the Company present their report and the audited financial statements of the Company for the period from 1st April, 2008 to 30th June, 2009 ("15-month Period").

Change in Financial Year End Date

The board has resolved to change the financial year end date from 31st March to 30th June to bring the balance sheet date in line with the business cycle in determination of the seasonality factors of magazine publication, in which the second half of the year, July to December, is usually the major advertisement spending months.

Principal Activities

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34 to the financial statements.

Results and Appropriations

The results of the Group and appropriations of the Company for the 15-month Period are set out in the consolidated income statement on page 62 and note 13 to the consolidated financial statements respectively.

An interim dividend of HK1.2 cents per share was declared during the 15-month Period and paid to the shareholders on 2nd July, 2009.

The directors recommend the payment of a final dividend of HK0.8 cents per share to the shareholders on the register of members on 18th November, 2009, amounting to HK$4,800,000.

Property, Plant and Equipment

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

Share Capital

Details of movements in the share capital of the Company during the 15-month Period are set out in note 26 to the financial statements.

Distributable Reserves of the Company

The Company's reserves available for distribution to shareholders was HK$22,097,000 (2008: HK$11,675,000) as at 30th June, 2009.

Directors and Directors' Service Contracts

The directors of the Company during the 15-month Period and up to the date of this report were:

Executive Directors:

Percy Hughes, Shirley *(Chief Executive Officer)*
Lee Che Keung, Danny
Wong Chi Fai
Fan Man Seung, Vanessa

Independent Non-executive Directors:

Hui Wai Man, Shirley
Tse Hin Lin, Arnold
Kwan Shin Luen, Susanna

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

Directors and Directors' Service Contracts – continued

In accordance with Article 83(1) of the Company's Articles of Association, Ms. Percy Hughes, Shirley, Ms. Hui Wai Man, Shirley and Mr. Tse Hin Lin, Arnold will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

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

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

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

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

As at 30th June, 2009, the interests and short positions of the directors and chief executives and their associates in the shares, underlying shares and debentures of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") of the issued share capital of the Company were as follows:

(a) Long positions in share options of the Company

Name of director	Capacity	Number of options held	Number of underlying shares
Ms. Shirley Hughes *(note)*	Beneficial owner	5,000,000	5,000,000
Mr. Lee Che Keung, Danny *(note)*	Beneficial owner	2,500,000	2,500,000

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

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

(b) Long positions in shares/underlying shares of associated corporations

Name of director	Name of associated corporation	Nature of interest	Number of ordinary shares/ underlying shares	Approximate percentage holding
Mr. Wong Chi Fai	Emperor International Holdings Limited ("EIHL") *(note)*	Beneficial owner	15,000,000	0.84%
Ms. Fan Man Seung, Vanessa	EIHL *(note)*	Beneficial owner	15,000,000	0.84%

Note: These are share options granted to the directors under the share option scheme of EIHL.

Save as disclosed above, as at 30th June, 2009, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations.

Share Options

(a) Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 18th January, 2008. Particulars of the Scheme are set out in note 27 to the financial statements.

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

(b) Pre-IPO Share Option Scheme

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

Share Options – continued

(b) Pre-IPO Share Option Scheme – continued

Particulars of the Pre-IPO Share Option Scheme and details of movements in the number of Pre-IPO share options are set out in note 27 to the financial statements.

Save as disclosed above, at no time during the 15-month Period was the Company or any of its subsidiaries and fellow subsidiaries a party to any arrangements to enable any director or chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporates.

Interests and Short Positions of Substantial Shareholders

As at 30th June, 2009, so far as is known to any director or chief executive of the Company, the following persons or corporations (other than a director or chief executive of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:

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

Name of shareholder	Capacity/ Nature of interests	Number of issued ordinary shares interested in or deemed to be interested	Percentage of holding
Velba Limited ("Velba")	Beneficial owner	450,000,000	75%
Million Way Holdings Limited ("Million Way") *(note)*	Interest in a controlled corporation	450,000,000	75%
STC International Limited ("STC International") *(note)*	Trustee	450,000,000	75%
Dr. Yeung Sau Shing, Albert ("Dr. Albert Yeung") *(note)*	Founder of the Trust	450,000,000	75%
Ms. Luk Siu Man, Semon ("Semon Luk") *(note)*	Family	450,000,000	75%

Interests and Short Positions of Substantial Shareholders – continued

Note: The shares were held by Velba. The entire issued share capital of Velba was held by Million Way which was in turn wholly-owned by STC International, being the trustee of The Albert Yeung Discretionary Trust ("Trust"), a discretionary trust set up by Dr. Albert Yeung. Dr. Albert Yeung, as founder of the Trust, was deemed to be interested in the 450,000,000 shares held by Velba. By virtue of being the spouse of Dr. Albert Yeung, Ms. Semon Luk was also deemed to be interested in the said shares.

Save as disclosed above, as at 30th June, 2009, the directors or chief executives of the Company were not aware of any person or corporation (other than the directors and chief executives of the Company) who had any interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

Directors' Interests in Contracts of Significance

There was no contract of significance to which the Company, or any of its subsidiaries and 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 15-month Period or at any time during the 15-month Period.

Continuing Connected Transactions

During the 15-month Period, the Group had the following transactions with connected persons as defined in the Listing Rules:

Name of counterparty	Terms	Amount for the 15-month Period ended from 1st April, 2008 to 30th June, 2009 HK$'000
Printing costs paid:		
Hong Kong Daily Offset Printing Company Limited ("HK Daily Offset") *(note 1)*	12th February, 2008 to 31st March, 2010	5,432
Advertising income received:		
EIHL *(note 2)*	12th February, 2008 to 31st March, 2010	109
Emperor Entertainment Hotel Limited ("EEH") *(note 3)*	12th February, 2008 to 31st March, 2010	213
Emperor Entertainment Group Limited ("EEG") *(note 4)*	12th February, 2008 to 31st March, 2010	154
Emperor Capital Group Limited ("ECG") *(note 5)*	12th February, 2008 to 31st March, 2010	97
Gain Wealth Investments Limited ("Gain Wealth") *(note 6)*	12th February, 2008 to 31st March, 2010	539
Emperor Watch & Jewellery (HK) Company Limited *(note 7)*	12th February, 2008 to 31st March, 2010	823
Emperor International Exchange (Hong Kong) Company Limited *(note 8)*	12th February, 2008 to 31st March, 2010	60
		1,995

Continuing Connected Transactions – continued

Notes:

(1) HK Daily Offset was indirectly wholly-owned by STC International being the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(2) EIHL is a listed company as to 56.34% of its shares were held by Charron Holdings Limited ("Charron") as at 30th June, 2009. The entire issued share capital of Charron was indirectly held by STC International being the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(3) EEH is a listed company as to 43.43% of its shares were held by Worthly Strong Investment Limited ("Worthly Strong") as at 30th June, 2009. The entire issued share capital of Worthly Strong was indirectly held by STC International being the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(4) EEG is a listed company as to 78.65% of its shares were held by Surplus Way Profits Limited ("Surplus Way") as at 30th June, 2009. The entire issued share capital of Surplus Way was indirectly held by STC International being the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(5) ECG is a listed company as to 45.09% of its shares were held by Win Move Group Limited ("Win Move") as at 30th June, 2009. The entire issued share capital of Win Move was indirectly held by STC International being the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(6) Gain Wealth was indirectly wholly-owned by STC International being the trustee of the Trust. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(7) Emperor Watch & Jewellery (HK) Company Limited was indirectly owned as to 74.9% by the Trust as at 30th June, 2009. The founder of the Trust is Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

(8) Emperor International Exchange (Hong Kong) Company Limited was indirectly wholly-owned by a discretionary trust set up by Mr. Yeung Lik Shing, Michael, a brother of Dr. Albert Yeung who is a deemed substantial shareholder of the Company.

The engagement of using of the printing services under the printing master purchase agreement dated 28th January, 2008 for a term from 12th February, 2008 to 31st March, 2010 is in the normal ordinary course of business of the Group. The printing charges is to be determined from time to time by the Group and HK Daily Offset after arm's length negotiation with reference to the market price and on such terms that are no less favorable than those charged to other independent third parties engaging similar printing services.

Continuing Connected Transactions – continued

The engagements of sale of advertising space of the magazines published by the Group under the advertising master purchase agreements dated 28th January, 2008 for a term from 12th February, 2008 to 31st March, 2010 are in the normal ordinary course of business of the Group. The advertising charges by the Group is to be determined from time to time by the parties after arm's length negotiation with reference to the market prices and on such terms that are no more favorable than those charged to other independent third parties engaging similar advertising services.

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

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

The directors of the Company engaged the auditor of the Company to perform certain agreed upon procedures in respect of continuing connected transactions of the Group. The procedures were performed solely to assist the directors of the Company to evaluate in accordance with Rule 14A.38 of the Listing Rules, whether the continuing connected transactions entered into by the Group for the 15-month Period:

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

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

(c) have not exceeded the relevant cap amount for the 15-month Period as set out in the Company's announcement dated 5th June, 2009; and

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

Continuing Connected Transactions – continued

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

Save as disclosed above, no contracts of significance to which the Company, or any of its holding companies, fellow subsidiaries and subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the 15-month Period or at any time during the 15-month Period.

Major Customers and Suppliers

During the 15-month Period, sales to the five largest customers of the Group accounted for approximately 47.7% of the turnover of the Group. The largest customer of the Group, being the distributor of the magazines published by the Group, accounted for approximately 27.0% of the Group's turnover.

The five largest suppliers contributed to approximately 52.0% of the direct operating costs of the Group during the year. The largest supplier of the Group, being the printer of the magazines published by the Group, accounted for approximately 40.9% of the Group's total direct operating costs. Hong Kong Daily Offset, a company being controlled by the deemed substantial shareholder of the Company, is the third largest supplier of the Group, accounted for 1.5% of the Group's total direct operating costs.

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

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

During the 15-month Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Confirmation of Independent Non-Executive Directors

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

Corporate Governance

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 48 to 57.

Sufficiency of Public Float

The Company has maintained a sufficient public float under the Listing Rules from the date of listing to 30th June, 2009.

Management Contracts

No contracts for the management and administration of the whole or any substantial part of the business of the Group were entered or subsisted during the 15-month Period.

Emolument Policy

The emolument policy of the Group to reward its employees and Directors is based on their performance, qualifications, competence displayed, market comparables and the performance of the Group. Remuneration packages and bonus typically comprises salary, housing allowances, contribution to pension schemes and bonus relating to the profit of the Group. Upon and after the listing of the Company's shares, the remuneration package has been extended to include share options granted or to be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme adopted by the Company on 18th January, 2008, details of the scheme are set out in note 27 to the financial statements.

Auditor

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as auditor of the Company and authorise the Directors to fix their remuneration.

On behalf of the Board

Percy Hughes, Shirley
Chief Executive Officer

Hong Kong
29th September, 2009

Corporate Governance Report

New Media Group Holdings Limited 08/09 Annual Report

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

The Board

Board composition

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

As at 30th June, 2009, the Board comprised seven Directors (four Executive Directors of which one is the Chief Executive Officer and three Independent Non-executive Directors) who possess the skills, experience and expertise either in the same industry or relevant to the management of the business of the Group. The Independent Non-executive Directors will also share their valuable impartial view on matters to be discussed on the Board meetings. The biographies of the Directors are set out on pages 30 to 31 of this report under the "Biographies of Directors and Senior Executives" section.

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

Management functions

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

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

Securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors on no less terms than the required standard of dealings set out in Appendix 10 of the Listing Rules prior to the listing of its shares on the Stock Exchange. Having made specific enquiry to all Directors of the Company, all the Directors confirmed that they have complied with the required standard of dealings and the code of conduct throughout the 15-month Period.

Independent Non-executive Directors

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

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

Board Meetings

The Board held five full board meetings during the 15-month Period with the attendance of each Director as follows:

Name of Director	Meetings attended/ No. of Board meeting	Attendance rate
Executive Directors		
Percy Hughes, Shirley *(Chief Executive Officer)*	5/5	100
Lee Che Keung, Danny	5/5	100
Wong Chi Fai	5/5	100
Fan Man Seung, Vanessa	5/5	100
Independent Non-executive Directors		
Hui Wai Man, Shirley	5/5	100
Tse Hin Lin, Arnold	5/5	100
Kwan Shin Luen, Susanna	4/5	80

Board meeting notice was sent to the Directors at least 14 days prior to regular meetings. The Directors have access to the advice and services of the Company Secretary and key officers of the Company Secretarial team for ensuring that the Board procedures and all applicable rules and regulations are followed. Draft and final versions of the minutes of Board meetings and Board committee meetings, drafted in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the Company Secretary, are open for inspection at any reasonable time on reasonable notice by any Directors. There is a procedure agreed by the Board to enable the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses.

If a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the Director will abstain from voting on the relevant Board resolution in which he/she or any of his/her associates have material interest and that he/she shall not be counted in the quorum present at the Board meeting.

Delegation by the Board

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

1. Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Ms. Hui Wai Man, Shirley (Chairperson of the Committee), Mr. Tse Hin Lin, Arnold and Ms. Kwan Shin Luen, Susanna. The Audit Committee is primarily responsible for making recommendations to the Board on the appointment and removal of the external auditor, to approve the remuneration and terms of engagement of external auditor, review financial information and oversight of the financial reporting system and internal control procedures. The terms of reference of the Audit Committee which were re-adopted on 27th May, 2009 are available in the Company's website: www.nmg.com.hk.

The Audit Committee held three meetings during the 15-month Period with the attendance of each member as follows:

Name of Committee members	Meetings attended/ No. of meeting	Attendance rate
Hui Wai Man, Shirley	3/3	100
Tse Hin Lin, Arnold	3/3	100
Kwan Shin Luen, Susanna	3/3	100

A summary of the work performed by the Audit Committee during the 15-month Period is set out below:

i. Reviewed with the finance-in-charge the effectiveness of the internal control system of the Group;

ii. Met with the external auditor and reviewed their work and findings relating to the annual audit for the year ended 31st March, 2008;

iii. Annual review of the non-exempt continuing connected transactions of the Group for the year ended 31st March, 2008;

iv. Reviewed the external auditor's independence and the effectiveness of the audit process;

v. Recommended the Board on the re-appointment of external auditor;

vi. Reviewed with the management/finance-in-charge and/or the external auditor the accounting principles and practices adopted by the Group, the accuracy and fairness of the annual financial statements for the year ended 31st March, 2008 as well as the interim and the second interim financial statements; and

vii. Recommended the Board to adopt the Revised Terms of Reference of the Audit Committee.

2. Remuneration Committee

The Remuneration Committee comprises an Executive Director, Mr. Wong Chi Fai (Chairman of the Committee), and two Independent Non-executive Directors, namely Mr. Tse Hin Lin, Arnold and Ms. Kwan Shin Luen, Susanna. The primary duties of the Remuneration Committee include making recommendation to the Board on the Company's policy and structure for the remuneration of Directors and senior management and determining the specific remuneration package for all Executive Directors. Details of the remuneration of each of the Directors for the 15-month Period are set out in note 12 to the financial statements. The terms of reference of the Remuneration Committee which were adopted on 16th January, 2008 are available in the Company's website: www.nmg.com.hk.

The Remuneration Committee held two meetings during the 15-month Period with the attendance of each member as follows:

Name of Committee members	Meetings attended/ No. of meeting	Attendance rate
Wong Chi Wai	2/2	100
Tse Hin Lin, Arnold	2/2	100
Kwan Shin Luen, Susanna	2/2	100

A summary of the work performed by the Remuneration Committee during the 15-month Period is set out below:

i. Recommended the Board to adopt a written Remuneration policy;

ii. Reviewed the current level and structure/package of Directors' remuneration and recommended the Board on the remuneration of the Directors and payment schedule of Directors' Fees; and

iii. Assessed the performance of the Executive Directors and approved the payment of discretionary bonus to certain Executive Directors.

The Company has adopted a written remuneration policy recommended by the Remuneration Committee to ensure that there is a clear link to business strategy and a close alignment with shareholders' interest and current best practice, and aims to ensure that the Directors are rewarded fairly for their respective individual contributions to the Group's performance.

No individual should determine his or her own remuneration. The Independent Non-executive Directors are paid fees in line with market practice. The emoluments of the Executive Directors are decided by the Remuneration Committee having regard to the Company's operating results, individual performance and comparable market statistics. Remuneration package includes basic salaries, Director's fee, ad hoc rewards, performance related incentive payment, share-based payments and other benefits. Particulars of the share option scheme of the Company and number of share options granted to the Directors are set out in note 27 to the consolidated financial statements.

Accountability and Audit

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

Internal Control

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

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

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

Communication with Shareholders

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

The Chairperson of the annual general meeting and Chairperson/Chairman/members of the Audit Committee and Remuneration Committee were available at the annual general meeting held on 28th August, 2008 to answer questions from the shareholders.

The forthcoming annual general meeting of the Company will be held on 18th November, 2009 which will be conducted by way of poll.

Auditor's Independence and Remuneration

The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statement. Members of the Committee are of the view that the Company's auditor, Deloitte Touche Tohmatsu is independent and recommended to the Board to re-appoint it as the Company's external auditor at the forthcoming annual general meeting.

During the 15-month Period, the remuneration paid/payable to the Company's auditor, Deloitte Touche Tohmatsu, is set out as follows:-

Service rendered	Fees paid/payable HK$'000
Audit services	1,841

Financial Statements

New Media Group
Holdings Limited
08/09
Annual Report

Deloitte.
德勤

To the Members of New Media Group Holdings Limited
新傳媒集團控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of New Media Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 62 to 109, which comprise the consolidated and the Company balance sheets as at 30th June, 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the period ended from 1st April, 2008 to 30th June, 2009, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30th June, 2009 and of the Group's profit and cash flows for the period ended from 1st April, 2008 to 30th June, 2009 in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29th September, 2009

Consolidated Income Statement

For the period from 1st April, 2008 to 30th June, 2009

	Notes	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Turnover	9	**553,512**	452,373
Direct operating costs		**(361,293)**	(303,699)
Gross profit		**192,219**	148,674
Other income		**2,479**	1,529
Selling and distribution costs		**(86,044)**	(62,893)
Administrative expenses		**(55,280)**	(47,677)
Impairment loss on intangible assets	16	**(3,490)**	–
Impairment loss on available-for-sale investment	17	**(1,500)**	–
Profit before taxation		**48,384**	39,633
Taxation charge	10	**(9,622)**	(8,459)
Profit for the period/year	11	**38,762**	31,174
Earnings per share – Basic	14	**HK cents 6.46**	HK cents 6.63

Consolidated Balance Sheet

At 30th June, 2009

	Notes	30.6.2009 HK$'000	31.3.2008 HK$'000
Non-current assets			
Property, plant and equipment	15	**14,606**	14,581
Intangible assets	16	**–**	4,102
Available-for-sale investment	17	**–**	–
Goodwill	18	**695**	695
		15,301	19,378
Current assets			
Inventories	20	**1,634**	6,543
Trade and other receivables	21	**78,146**	79,108
Bank balances and cash	23	**155,297**	117,022
		235,077	202,673
Current liabilities			
Trade and other payables	24	**65,253**	71,490
Dividend payable	13	**7,200**	–
Taxation payable		**4,761**	934
		77,214	72,424
Net current assets		**157,863**	130,249
Total assets less current liabilities		**173,164**	149,627
Non-current liability			
Deferred taxation liabilities	25	**305**	810
		172,859	148,817

	Notes	30.6.2009 HK$'000	31.3.2008 HK$'000
Capital and reserves			
Share capital	26	**6,000**	6,000
Reserves	28	**166,859**	142,817
		172,859	148,817

The consolidated financial statements on pages 62 to 109 were approved and authorised for issue by the Board of Directors on 29th September, 2009 and are signed on its behalf by:

Percy Hughes, Shirley	**Lee Che Keung, Danny**
DIRECTOR	DIRECTOR

	Notes	30.6.2009 HK$'000	31.3.2008 HK$'000
Non-current asset			
Investments in subsidiaries	19	**72,220**	72,220
Current assets			
Amounts due from subsidiaries	22	**126,726**	109,397
Bank balances	23	**7,270**	7
		133,996	109,404
Current liabilities			
Accrued charges		**815**	925
Amount due to a subsidiary	22	**5,000**	–
Dividend payable	13	**7,200**	–
		13,015	925
Net current assets		**120,981**	108,479
		193,201	180,699
Capital and reserves			
Share capital	26	**6,000**	6,000
Reserves	28	**187,201**	174,699
		193,201	180,699

Percy Hughes, Shirley
DIRECTOR

Lee Che Keung, Danny
DIRECTOR

Consolidated Statement of Changes in Equity

For the period from 1st April, 2008 to 30th June, 2009

	Share capital HK$'000	Share premium HK$'000 (Note 28(a))	Special reserve HK$'000 (Note 28(b))	Capital contribution reserve HK$'000 (Note 28(c))	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st April, 2007	800	90,000	–	695	–	(65,757)	25,738
Profit for the year and total recognised income for the year	–	–	–	–	–	31,174	31,174
Deemed capital contribution from former immediate holding company	–	–	–	101	–	–	101
Dividends paid by subsidiaries to their then shareholders prior to the Group Reorganisation	–	–	–	–	–	(5,000)	(5,000)
Issue of shares by the Company at nil-paid and credited as fully paid on the Group Reorganisation	100	–	–	–	–	–	100
Elimination on the Group Reorganisation	(800)	(90,000)	90,700	–	–	–	(100)
Issue of shares by way of the placing and public offer	1,500	100,500	–	–	–	–	102,000
Expenses incurred in connection with the issue of new shares of the Company	–	(5,681)	–	–	–	–	(5,681)
Capitalisation issue	4,400	(4,400)	–	–	–	–	–
Recognition of equity-settled share-based payments	–	–	–	–	485	–	485
At 31st March, 2008 and 1st April, 2008	6,000	90,419	90,700	796	485	(39,583)	148,817
Profit for the period and total recognised income for the period	–	–	–	–	–	38,762	38,762
Recognition of equity-settled share-based payments	–	–	–	–	2,080	–	2,080
Final dividend paid for 2008	–	–	–	–	–	(9,600)	(9,600)
Interim dividend declared for 2009	–	–	–	–	–	(7,200)	(7,200)
At 30th June, 2009	6,000	90,419	90,700	796	2,565	(17,621)	172,859

Consolidated Cash Flow Statements

For the period from 1st April, 2008 to 30th June, 2009

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Cash flows from operating activities		
Profit before taxation	**48,384**	39,633
Adjustments for:		
Interest income	**(1,598)**	(542)
Depreciation of property, plant and equipment	**9,430**	6,638
Amortisation of intangible assets	**612**	968
Impairment loss recognised on intangible assets	**3,490**	–
Impairment loss recognised on available-for-sale investment	**1,500**	–
Share-based payments expense	**2,080**	485
Loss on disposal of property, plant and equipment	**2**	629
Allowance for bad and doubtful debts	**2,014**	590
Waive of amount due to former minority shareholder of a subsidiary	**–**	(190)
Operating cash flows before movements in working capital	**65,914**	48,211
Decrease (increase) in inventories	**4,909**	(5,494)
Increase in trade and other receivables	**(1,052)**	(15,537)
(Decrease) increase in trade and other payables	**(6,237)**	6,557
Net cash generated from operations	**63,534**	33,737
Hong Kong Profits Tax paid	**(6,300)**	(451)
Net cash from operating activities	**57,234**	33,286
Cash flows from investing activities		
Interest received	**1,598**	542
Proceeds on disposal of property, plant and equipment	**27**	190
Purchase of available-for-sale investment	**(1,500)**	–
Purchase of property, plant and equipment	**(9,484)**	(3,983)
Net cash used in investing activities	**(9,359)**	(3,251)

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Cash flows from financing activities		
Dividends paid	**(9,600)**	–
Proceeds from issue of new shares	**–**	102,000
Repayment to group companies	**–**	(16,423)
Expenses paid in connection with the issue of new shares	**–**	(5,681)
Dividends paid by subsidiaries to their then shareholders prior to the Group Reorganisation	**–**	(5,000)
Net cash (used in) from financing activities	**(9,600)**	74,896
Net increase in cash and cash equivalents	**38,275**	104,931
Cash and cash equivalents at beginning of the period/year	**117,022**	12,091
Cash and cash equivalents at end of the period/year, representing bank balances and cash	**155,297**	117,022

1. General

The Company is incorporated in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance (Cap.32) and its shares are listed on The Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The immediate and ultimate holding company of the Company are Velba Limited ("Velba") and Million Way Holdings Limited ("Million Way") respectively, both companies are limited liability companies incorporated in British Virgin Islands (the "BVI"). The entire issued share capital of Velba was held by Million Way which in turn is wholly-owned by STC International, being the trustee of The Albert Yeung Discretionary Trust (the "Trust"), a discretionary trust set up by Dr. Albert Yeung. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 34.

2. Basis of Presentation of Financial Statements

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

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

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

2. Basis of Presentation of Financial Statements – continued

The financial statements for the current period cover the fifteen-month period ended 30th June, 2009. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of changes in equity and related notes cover a twelve-month period ended 31st March, 2008 and therefore may not be comparable with amounts shown for the current period. The period covered by the current period financial statements is greater than 12 months because the directors of the Company have determined to change the financial year end date of the Company to bring its balance sheet date in line with the business cycle in view of the seasonality factors of magazine publication, in which the second half of the calendar year, July to December, is usually the major advertisement spending months.

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

In the current period, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been recognised.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") – continued

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

HKFRSs (Amendments)	Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[5]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[4]
HK(IFRIC) – INT 18	Transfers of assets from customers[7]

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") – continued

[1] Effective for annual periods beginning on or after 1st January, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.
[2] Effective for annual periods beginning on or after 1st January, 2009, 1st July, 2009 and 1st January, 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1st January, 2009.
[4] Effective for annual periods beginning on or after 1st July, 2009.
[5] Effective for annual periods beginning on or after 1st January, 2010.
[6] Effective for annual periods beginning on or after 1st October, 2008.
[7] Effective for transfers on or after 1st July, 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after 1st July, 2009. HKAS 27 (Revised) will affect the Group's accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of other standards or interpretations will have no material impact on the results or financial position of the Group.

4. Significant Accounting Policies

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

The principal accounting policies adopted are as follows:

Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

4. Significant Accounting Policies – continued

Goodwill

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

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

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

Investments in subsidiaries

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

Revenue recognition

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

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

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

4. Significant Accounting Policies – continued

Revenue recognition – continued

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

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

Property, plant and equipment

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

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

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

Leases

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

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

4. Significant Accounting Policies – continued

Intangible assets

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

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

Impairment (other than goodwill)

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

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

Inventories

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

Financial instruments

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

4. Significant Accounting Policies – continued

Financial instruments – continued

Financial assets

The Group's financial assets are mainly classified into one of the two categories, including available-for-sale financial assets and loans and receivables. The accounting policies adopted in respect of available-for-sale financial assets and loans and receivables are set out below.

Effective interest method

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

Interest income is recognised on an effective interest basis.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Loans and receivables

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

4. Significant Accounting Policies – continued

Financial instruments – continued

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

4. Significant Accounting Policies – continued

Financial instruments – continued

Impairment of financial assets *– continued*

For financial assets measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market value of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

4. Significant Accounting Policies – continued

Financial instruments – continued

Financial liabilities and equity *– continued*

Financial liabilities

Financial liabilities, including trade and other payables and dividend payable, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Taxation

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

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

4. Significant Accounting Policies – continued

Taxation – continued

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

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

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

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

Retirement benefit costs

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

4. Significant Accounting Policies – continued

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

5. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Allowance for trade receivables

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

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 30th June, 2009, the carrying amount of trade receivable is HK$71,573,000 (2008: HK$73,639,000) (net of allowance for doubtful debts of HK$447,000 (2008: HK$584,000)) (note 21).

6. Financial Instruments

(a) Categories of financial instruments

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

	The Group		The Company	
	30.6.2009 HK$'000	31.3.2008 HK$'000	**30.6.2009 HK$'000**	31.3.2008 HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**230,275**	193,332	**113,996**	109,404
Financial liabilities				
Amortised cost	**46,928**	46,829	**12,200**	–

(b) Financial risk management objectives and policies

The Group and the Company

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and dividend payable. The Company's major financial instruments are bank balances and cash, amounts due from (to) subsidiaries and dividend payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(c) Foreign currency risk

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

6. Financial Instruments – continued

(d) Credit risk

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

The Group

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

The Group has concentration of credit risk as the Group's trade receivables as at 30th June, 2009 of approximately HK$38,018,000 (2008: HK$35,280,000) were derived from a few advertising agencies and a sole distributor of the Group, representing the top 5 customers of the Group. They are assessed by the management as high credit rating customers. In order to minimise the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk for the remaining trade receivables, with exposure spread over a number of counterparties and customers.

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

The Company

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

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

6. Financial Instruments – continued

(e) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to a fixed-rate bank deposit of approximately HK$136,626,000 (2008: HK$90,085,000). The Group does not have policy on fair value hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

(f) Liquidity risk management

The board of directors of the Company has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining sufficient bank balances and by continuously monitoring forecast and actual cash flows, and the maturity profiles of financial liabilities.

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

(g) Fair value of financial instruments

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

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

7. Capital Risk Management

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

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in the financial statements. At 30th June, 2009, no external debts are raised by the Group.

7. Capital Risk Management – continued

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

8. Business and Geographical Segments

Business segment

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

Geographical segment

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

9. Turnover

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

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Circulation income	**163,387**	140,108
Advertising income	**384,319**	308,468
Provision of magazine content	**5,806**	3,797
	553,512	452,373

10. Taxation Charge

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
The charge comprises:		
Current taxation		
Hong Kong Profits Tax	**10,196**	1,627
Overprovision in prior years	**(69)**	–
	10,127	1,627
Deferred taxation (credit) charge (note 25)		
Current period/year	**(460)**	6,832
Change in tax rate	**(45)**	–
	(505)	6,832
	9,622	8,459

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the period/year.

The taxation charge for the period/year can be reconciled to the profit for the period/year per the consolidated income statement as follows:

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Profit for the period/year	**48,384**	39,633
Tax at Hong Kong Profits Tax rate of 16.5% (2008: 17.5%)	**7,983**	6,936
Tax effect of expenses not deductible for tax purpose	**1,112**	1,542
Tax effect of income not assessable for tax purpose	**(259)**	(165)
Tax effect of tax losses not recognised	**830**	61
Overprovision in prior year	**(69)**	–
Change in tax rate	**(45)**	–
Others	**70**	85
Taxation charge for the period/year	**9,622**	8,459

11. Profit for the Period/Year

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Profit for the period/year has been arrived at after charging:		
Directors' emoluments (note 12)		
– fees	**1,061**	177
– retirement benefits scheme contributions	**30**	24
– other emoluments	**8,454**	8,164
	9,545	8,365
Other staff's retirement benefits scheme contributions	**6,077**	4,484
Other staff costs	**183,821**	135,612
	199,443	148,461
Allowance for bad and doubtful debts	**2,014**	590
Amortisation of intangible assets (included in cost of sales)	**612**	968
Auditor's remuneration	**1,841**	1,226
Depreciation of property, plant and equipment	**9,430**	6,638
Expenses incurred in connection with listing exercise of the Group (included in administrative expenses)	**–**	7,770
Loss on disposal of property, plant and equipment	**2**	629
Operating lease rentals for rented premises	**4,748**	2,881
and after crediting:		
Interest income	**1,598**	542
Waive of amount due to former minority shareholder of a subsidiary	**–**	190

12. Directors' and Employees' Emoluments

Directors' emoluments

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

	Period ended from 1st April, 2008 to 30th June, 2009							
	Percy Hughes, Shirley HK$'000	Lee Che Keung, Danny HK$'000	Wong Chi Fai HK$'000	Fan Man Seung, Vanessa HK$'000	Hui Wai Man, Shirley HK$'000	Tse Hin Lin, Arnold HK$'000	Kwan Shin Luen, Susanna HK$'000	Total HK$'000
Fees	125	125	125	125	187	187	187	1,061
Other emoluments								
– salaries and other allowances	3,066	2,628	–	–	–	–	–	5,694
– bonus (Note)	480	200	–	–	–	–	–	680
– retirement benefits scheme contributions	15	15	–	–	–	–	–	30
– share-based payments	1,387	693	–	–	–	–	–	2,080
Total emoluments	5,073	3,661	125	125	187	187	187	9,545

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

Note: The bonus payment is determined with reference to the individual performance in both period/year.

12. Directors' and Employees' Emoluments – continued

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2008: two) were directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining three (2008: three) individuals were as follows:

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Salaries and allowances	8,595	6,922
Contributions to retirement benefits scheme	45	36
	8,640	6,958

Their emoluments were within the following bands:

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	1	1
HK$2,500,001 to HK$3,000,000	1	1
HK$3,000,001 to HK$3,500,000	1	–

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

13. Dividends

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Recognised as distribution:		
Interim dividend declared for 2009 of HK1.2 cents (2008: nil) per share	**7,200**	–
Final dividend paid for previous financial year of HK1.6 cents (2008: nil) per share	**9,600**	–
	16,800	–
Proposed:		
Final dividend proposed for 2009 of HK0.8 cents (2008: HK1.6 cents) per share	**4,800**	9,600

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

A final dividend for the period from 1st April, 2008 to 30th June, 2009 of HK0.8 cents per share has been proposed by the directors and is subject to approval by the shareholders in forthcoming annual general meeting.

14. Earnings per Share

The calculation of basic earnings per share is based on the profit for the period/year of HK$38,762,000 (2008: HK$31,174,000) and the weighted average of 600,000,000 shares (2008: 470,491,803 shares) for the period/year.

The 450,000,000 shares that were issued prior to the listing of the Company's shares on the Stock Exchange on 12th February, 2008 and pursuant to the Group Reorganisation are treated as if they had been in issue throughout the year ended 31st March, 2008.

No diluted earnings per share has been presented in respect of the Company's potential dilutive ordinary shares as the exercise price of the share options of the Company is higher than the average market price for the Company's shares for both period/year.

15. Property, Plant and Equipment

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
THE GROUP				
COST				
At 1st April, 2007	8,653	10,596	24,462	43,711
Additions	209	477	3,297	3,983
Disposals	(886)	(183)	(762)	(1,831)
At 31st March, 2008 and 1st April, 2008	7,976	10,890	26,997	45,863
Additions	1,675	1,188	6,621	9,484
Disposals	–	(183)	(4)	(187)
At 30th June, 2009	9,651	11,895	33,614	55,160

15. Property, Plant and Equipment – continued

	Leasehold improvements HK$'000	Machinery and equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
DEPRECIATION				
At 1st April, 2007	2,521	5,723	17,412	25,656
Provided for the year	1,110	2,407	3,121	6,638
Eliminated on disposal	(201)	(88)	(723)	(1,012)
At 31st March, 2008 and 1st April, 2008	3,430	8,042	19,810	31,282
Provided for the period	1,703	1,520	6,207	9,430
Eliminated on disposal	–	(154)	(4)	(158)
At 30th June, 2009	5,133	9,408	26,013	40,554
CARRYING VALUES				
At 30th June, 2009	4,518	2,487	7,601	14,606
At 31st March, 2008	4,546	2,848	7,187	14,581

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

Leasehold improvements	Shorter of 2 years and unexpired terms of the relevant lease
Machinery and equipment	5 years
Furniture, fixtures and office equipment	3 to 5 years

16. Intangible Assets

	Publishing library HK$'000	Copyrights in photographs and articles HK$'000	Total HK$'000
THE GROUP			
COST			
At 1st April, 2007 and 31st March, 2008 and 30th June, 2009	34,690	6,620	41,310
AMORTISATION AND IMPAIRMENT			
At 1st April, 2007	31,434	4,806	36,240
Charge for the year	564	404	968
At 31st March, 2008 and 1st April, 2008	31,998	5,210	37,208
Charge for the period	362	250	612
Impairment loss recognised for the period	2,330	1,160	3,490
At 30th June, 2009	34,690	6,620	41,310
CARRYING VALUES			
At 30th June, 2009	–	–	–
At 31st March, 2008	2,692	1,410	4,102

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

The Group would publish booklets occasionally using the contents in the publishing library, the photographs and the articles. The management conducted a review of the Group's intangible assets in light of the current market condition for the decreasing in sale of booklets by comparing the carrying amount and the recoverable amount of intangible assets. The intangible assets were impaired based on the estimated recoverable amounts with reference to their values in use. An impairment loss of approximately HK$3,490,000 had been determined and recognised in the consolidated income statement accordingly.

17. Available-for-sale Investment

During the period, the Group invested HK$1,500,000 (2008: nil) in unlisted equity shares issued by a private company incorporated in Hong Kong. It is measured at cost less impairment losses at the balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably. The directors identified an impairment loss of HK$1,500,000 (2008: nil) estimated based on expected cash flows projections.

18. Goodwill

	HK$'000
THE GROUP	
At 1st April, 2007, 31st March, 2008 and 30th June, 2009	695

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

The Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next 2 years approved by management using the discount rate of 10% (2008: 10%) which reflects current market assessments of the time value of money and the risks specific to the CGU. For the purpose of impairment testing, the cash flows beyond the 2-year-period are extrapolated for 3 years using a constant growth rate of 1.5% (2008: 1.5%) per annum. The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates and the growth rates based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. No impairment of goodwill is considered necessary.

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

19. Investments in Subsidiaries

	The Company	
	30.6.2009 HK$'000	31.3.2008 HK$'000
Unlisted investments	72,220	72,220

Particulars of the subsidiaries of the Company as at the balance sheet date are set out in note 34.

20. Inventories

	The Group	
	30.6.2009 HK$'000	31.3.2008 HK$'000
Printing papers	1,014	5,590
Books	620	953
	1,634	6,543

21. Trade and Other Receivables

	The Group	
	30.6.2009 HK$'000	31.3.2008 HK$'000
Trade receivables from		
– third parties	71,218	72,942
– related companies	355	697
	71,573	73,639
Prepayment and deposits	6,573	5,469
	78,146	79,108

21. Trade and Other Receivables – continued

The related companies are companies owned by the Trust (of which Dr. Albert Yeung is the founder and a deemed controlling shareholder of the Company).

The Group normally grants credit terms of 30 days to 120 days to its customers with reference to their historical payment records and business relationship. Settlement of the sales from circulation income from magazines shall be made by the distributor to the Company within 10 days after the verification of the quantity of magazines sold. Credit limit and outstanding balance from advertising income will be reviewed by the management once a month. The following is an aged analysis of trade receivables based on the invoice date at the reporting date:

	The Group	
	30.6.2009	31.3.2008
	HK$'000	HK$'000
Age		
0 – 30 days	**62,802**	65,320
31 – 90 days	**8,309**	7,060
91 – 180 days	**395**	1,196
Over 180 days	**67**	63
	71,573	73,639

Included in the Group's trade receivable balance are debtors with a carrying amount of approximately HK$21,687,000 (2008: HK$23,484,000), which are past due at the balance sheet date for which the Group has not provided allowance as there has not been a significant change in credit quality and the Group believes that the amounts are still considered recoverable. For the remaining trade receivables that are neither past due nor impaired, the Group believes that the amounts are considered recoverable with reference to their historical payment records and business relationship. The Group does not hold any collateral over these balances.

21. Trade and Other Receivables – continued

Ageing of trade receivables based on payment due date which are past due but not impaired

	The Group	
	30.6.2009	31.3.2008
	HK$'000	HK$'000
61 to 90 days	**21,687**	16,063
91 to 180 days	**–**	7,421
	21,687	23,484

Movement in the allowance for bad and doubtful debts

	The Group	
	30.6.2009	31.3.2008
	HK$'000	HK$'000
Balance at beginning of the period/year	**584**	785
Trade receivables written off	**(2,151)**	(791)
Increase in allowance charged to consolidated income statement	**2,014**	590
Balance at end of the period/year	**447**	584

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$447,000 (2008: HK$584,000) which have either been placed under liquidation or in severe financial difficulties. The Group does not hold any collateral over these balances.

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

22. Amounts due from (to) Subsidiaries

The Company

The amounts are unsecured, interest-free and repayable on demand. In the opinion of the directors, repayment of amounts due from (to) subsidiaries will be demanded in the next twelve months after the balance sheet date, as a result, the amounts are classified as current assets (liabilities).

23. Bank Balances and Cash

The Group and the Company

Bank balances and cash of the Group and the Company comprises cash on hand and short-term bank deposits with original maturity of three months or less carry interest at market rates ranging from 0.01% to 4.79 % (2008: 0.01% to 2.48%) and 0.01% (2008: 0.01%) per annum, respectively.

24. Trade and Other Payables

	The Group	
	30.6.2009	31.3.2008
	HK$'000	HK$'000
Trade payables to		
– third parties	**33,812**	44,942
– related companies	**2,259**	1,887
	36,071	46,829
Accrued charges	**29,182**	24,661
	65,253	71,490

The related companies are companies owned by the Trust (of which Dr. Albert Yeung is the founder and a deemed controlling shareholder of the Company).

24. Trade and Other Payables – continued

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

	The Group	
	30.6.2009	31.3.2008
	HK$'000	HK$'000
Age		
0 – 90 days	**35,431**	45,661
91 – 180 days	**558**	1,002
Over 180 days	**82**	166
	36,071	46,829

25. Deferred Taxation

The following are the major deferred taxation liabilities and (assets) recognised and movements thereon during the period/year:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Total HK$'000
THE GROUP			
At 1st April, 2007	1,584	(7,606)	(6,022)
(Credit) charge to consolidated income statement for the year	(448)	7,280	6,832
At 31st March, 2008 and 1st April, 2008	1,136	(326)	810
Credit to consolidated income statement for the period	(300)	(160)	(460)
Effect of change in tax rate	(64)	19	(45)
At 30th June, 2009	772	(467)	305

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

25. Deferred Taxation – continued

At 30th June, 2009, the Group has unused tax losses of approximately HK$35,601,000 (2008: HK$29,609,000) available for offset against future profits. At 30th June, 2009, a deferred taxation asset had been recognised in respect of approximately HK$2,830,000 (2008: HK$1,865,000) of such losses. No deferred taxation asset has been recognised in respect of the remaining HK$32,771,000 (2008: HK$27,744,000) due to the unpredictability of future profit streams. All tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the period or at the balance sheet date.

26. Share Capital

	Notes	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each			
Authorised:			
Upon incorporation on 8th October, 2007	(a)	1,000,000	10
Increase in authorised share capital	(b)	9,999,000,000	99,990
At 31st March, 2008 and 30th June, 2009		10,000,000,000	100,000
Issued and fully paid:			
Issue of shares at nil-paid on 10th October, 2007 and credited as fully paid in accordance with the Group Reorganisation	(a) & (c)	1	–
Issue of shares to the sole shareholder in accordance with the Group Reorganisation	(c)	9,999,999	100
Issue of shares by way of capitalisation of share premium account	(d)	440,000,000	4,400
Issue of shares by way of placing and public offer	(e)	150,000,000	1,500
At 31st March, 2008 and 30th June, 2009		600,000,000	6,000

26. Share Capital – continued

The movements in the Company's authorised and issued share capital during the period from 8th October, 2007 (date of incorporation) to 30th June, 2009 are as follows:

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

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

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

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

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

26. Share Capital – continued

All the shares which were issued by the Company during the year ended 31st March, 2008 rank pari passu with each other in all respects.

There were no changes in the Company's authorised, issued and fully paid share capital during the period.

27. Share Option Schemes

(a) Share Option Scheme

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

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

No option was granted by the Company under the Share Option Scheme since its adoption and up to 30th June, 2009.

27. Share Option Schemes – continued

(b) Pre-IPO Share Option Scheme

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

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

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

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

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

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

Date of grant	Exercisable period	Exercise price HK$	Outstanding at 31.3.2008 and 30.6.2009
18.1.2008	12.2.2009 – 12.2.2013	0.68	7,500,000

27. Share Option Schemes – continued

(b) Pre-IPO Share Option Scheme – continued

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

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

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

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

During the period, the Group recognised an expense of HK$2,080,000 (2008: HK$485,000) in relation to share options granted by the Company.

28. Reserves

The Group

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

(a) Share premium

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

(b) Special reserve

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

(c) Capital contribution reserve

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

The amount of HK$101,000 represented the current accounts waived by Top Queen during the year ended 31st March, 2008 as a result of deregistration of eWeekend Limited and Forever Grace Limited prior to the Group Reorganisation.

28. Reserves – continued

The Company

	Share premium HK$'000	Merger reserve HK$'000	Share options reserve HK$'000	Accumulated profit HK$'000	Total HK$'000
Profit for the year and total recognised income for the year	–	–	–	11,675	11,675
Merger reserve arising from issue of shares at nil-paid and credited as fully paid on the Group Reorganisation	–	72,120	–	–	72,120
Premium arising from issue of shares for cash by way of and public offer placing	100,500	–	–	–	100,500
Expenses incurred in connection with the issue of new shares	(5,681)	–	–	–	(5,681)
Capitalisation issue	(4,400)	–	–	–	(4,400)
Recognition of equity-settled share-based payments	–	–	485	–	485
At 31st March, 2008 and 1st April, 2008	90,419	72,120	485	11,675	174,699
Profit for the period and total recognised income for the period	–	–	–	27,222	27,222
Recognition of equity-settled share-based payments	–	–	2,080	–	2,080
Final dividend paid for 2008	–	–	–	(9,600)	(9,600)
Interim dividend declared for 2009	–	–	–	(7,200)	(7,200)
At 30th June, 2009	90,419	72,120	2,565	22,097	187,201

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

At 30th June, 2009, the Company's reserves available for distribution was HK$22,097,000 (2008: HK$11,675,000) as calculated under section 79B of the Hong Kong Companies Ordinance.

29. Major Non-Cash Transactions

In 2008, an amount of HK$101,000 due to former immediate holding company was waived and recorded in capital contribution reserve (note 28(c)).

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

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

30. Operating Lease Commitment

The Group as lessee

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

	The Group	
	30.6.2009 HK$'000	31.3.2008 HK$'000
Within one year	**2,616**	2,833
In the second to fifth year inclusive	**146**	2,889
	2,762	5,722

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

At the balance sheet date, the Company did not have significant operating lease commitments either as lessee or lessor.

31. Contingent Liabilities

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

At the balance sheet date, the Company did not have significant contingent liabilities.

32. Retirement Benefits Scheme

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

The total cost charged to the consolidated income statement of HK$6,107,000 (2008: HK$4,508,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

33. Related Party Transactions

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

	1.4.2008 to 30.6.2009 HK$'000	1.4.2007 to 31.3.2008 HK$'000
Advertising income received *(note 1)*	**1,996**	2,158
Advertising expenses paid *(note 2)*	**59**	136
Artists sponsorship fee paid *(note 2)*	**180**	–
Entertainment expenses paid *(note 2)*	**29**	47
Financial services fee paid *(note 2)*	**375**	–
Sharing of administrative expenses *(note 2)*	**1,635**	982
Overseas travelling expenses paid *(note 2)*	**236**	125
Photos and printing services income received *(note 2)*	**83**	4
Printing costs paid *(note 1)*	**5,432**	5,400
Rental charges paid *(note 2)*	**273**	116
Sundry expenses paid *(note 2)*	**10**	37
Sundry income received *(note 2)*	**79**	98
Underwriting and placing commission paid *(note 2)*	**–**	571

The related companies are companies owned by the Trust (of which Dr. Albert Yeung is the founder and a deemed controlling shareholder of the Company).

Note 1: These transactions are continuing connected transactions as defined under Chapter 14A of the Listing Rules, details of which are set out in the section headed "Continuing Connected Transactions" of the Directors' Report.

Note 2: These transactions are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Chapter 14A.31 of the Listing Rules.

(b) The key management personnel includes solely the directors of the Company and the compensation paid to them is disclosed in note 12.

34. Principal Subsidiaries

Particulars of the principal subsidiaries of the Company as at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share/ registered capital	Attributable equity interest held by the Group/Company 30.6.2009	31.3.2008	Principal activities
Directly held					
Merslake Limited	BVI/Hong Kong	US$11	**100%**	100%	Investment holding
Indirectly held					
Economic Digest Publishing Limited	Hong Kong	HK$2	**100%**	100%	Book publishing agent
Exactly Aim Limited	BVI/Hong Kong	US$2	**100%**	100%	Group treasury services
Favour Win Limited	Hong Kong	HK$2	**100%**	100%	Provision of group tenancy agent services
Hong Kong Media Services Company Limited	Hong Kong	HK$2	**100%**	100%	Sales of contents
New Media Group (HK) Limited	Hong Kong	HK$2	**100%**	100%	Magazine and book publishing
Smart Ideal Limited	Hong Kong	HK$100	**100%**	100%	Magazine publishing
Time Year Limited	Hong Kong	HK$2	**100%**	100%	Copyright holding and licensing business
Wide Connection Limited	Hong Kong	HK$2	**100%**	100%	Magazine publishing
World Sources (HK) Limited	Hong Kong	HK$800,000	**100%**	100%	Magazine publishing
廣東薪傳出版技術開發有限公司 (incorporated during the period)	People's Republic of China	RMB1,058,124	**100%**	–	Sales of contents

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

None of the subsidiaries of the Company had issued any debt securities at the balance sheet date.

Results

	For the period ended from 1st April, 2008 to 30th June, 2009 HK$'000	For the year ended 31st March, 2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Turnover	**553,512**	452,373	390,554	362,006	316,563
Profit before taxation	**48,384**	39,633	24,947	24,723	11,763
Taxation (charge) credit	**(9,622)**	(8,459)	6,221	(1,398)	–
Profit for the period/year	**38,762**	31,174	31,168	23,325	11,763

Assets and Liabilities

	At 30th June, 2009 HK$'000	At 31st March, 2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Total assets	**250,378**	222,051	107,387	96,906	84,334
Total liabilities	**(77,519)**	(73,234)	(81,649)	(192,336)	(203,784)
Total equity	**172,859**	148,817	25,738	(95,430)	(119,450)

Notes:

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

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