

One Media Group Interim Report 2009

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One Media Group Limited
萬華媒體集團有限公司

Stock Code 股份代號：426

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

		(Unaudited)	
		Six months ended	
		30th September	
		2009	2008
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	4	77,796	102,068
Cost of goods sold		<u>(45,784)</u>	<u>(52,444)</u>
Gross profit		32,012	49,624
Other income	6	990	1,948
Selling and distribution costs		(21,327)	(23,673)
Administrative expenses		<u>(15,781)</u>	<u>(20,819)</u>
(Loss)/profit before income tax		(4,106)	7,080
Income tax expense	7	<u>(901)</u>	<u>(3,069)</u>
(Loss)/profit for the period		<u>(5,007)</u>	<u>4,011</u>
Attributable to:			
Equity holders of the Company		<u>(5,007)</u>	<u>4,011</u>
(Loss)/earnings per share attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
– Basic and diluted	8	<u>(1.25)</u>	<u>1</u>
Dividends	9	<u>2,000</u>	<u>2,400</u>

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	(Unaudited)	
	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
(Loss)/profit for the period	(5,007)	4,011
Other comprehensive income		
Currency translation differences	144	657
Share compensation costs on share options granted	238	453
	<u> </u>	<u> </u>
Total comprehensive (expenses)/income for the period	<u>(4,625)</u>	<u>5,121</u>
Total comprehensive (expenses)/income attributable to:		
– Equity holders of the Company	<u>(4,625)</u>	<u>5,121</u>

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

AS AT 30TH SEPTEMBER 2009

	<i>Note</i>	(Unaudited) 30th September 2009 HK\$'000	(Audited) 31st March 2009 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		5,492	7,008
Intangible assets		2,180	2,165
Financial assets at fair value through profit or loss	10	–	–
		<u>7,672</u>	<u>9,173</u>
Current assets			
Inventories		13,533	11,910
Trade and other receivables	11	47,752	44,147
Cash and cash equivalents		112,620	125,951
		<u>173,905</u>	<u>182,008</u>
Total assets		<u>181,577</u>	<u>191,181</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	400	400
Share premium	13	456,073	456,073
Other reserves		(334,427)	(334,809)
Retained earnings			
– Proposed dividend	9	2,000	4,600
– Others		33,091	40,098
Total equity		<u>157,137</u>	<u>166,362</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		161	303
Long service payment liability		649	649
		<u>810</u>	<u>952</u>
Current liabilities			
Trade and other payables	12	19,583	21,108
Amounts due to fellow subsidiaries		1,751	1,508
Income tax liabilities		2,296	1,251
		<u>23,630</u>	<u>23,867</u>
Total liabilities		<u>24,440</u>	<u>24,819</u>
Total equity and liabilities		<u>181,577</u>	<u>191,181</u>
Net current assets		<u>150,275</u>	<u>158,141</u>
Total assets less current liabilities		<u>157,947</u>	<u>167,314</u>

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CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	<i>Note</i>	(Unaudited)				Total equity <i>HK\$'000</i>	
		Attributable to equity holders of the Company					
		Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>		
At 1st April 2008		400	456,073	(335,562)	39,701	160,612	
Profit for the period		–	–	–	4,011	4,011	
Other comprehensive income:							
Share compensation costs on share options granted		–	–	453	–	453	
Currency translation differences		–	–	657	–	657	
Total comprehensive income for the period		–	–	1,110	4,011	5,121	
Dividend paid relating to 2008	9	–	–	–	(4,000)	(4,000)	
At 30th September 2008		<u>400</u>	<u>456,073</u>	<u>(334,452)</u>	<u>39,712</u>	<u>161,733</u>	
At 1st April 2009		400	456,073	(334,809)	44,698	166,362	
Loss for the period		–	–	–	(5,007)	(5,007)	
Other comprehensive income:							
Share compensation costs on share options granted		–	–	238	–	238	
Currency translation differences		–	–	144	–	144	
Total comprehensive income/ (expense) for the period		–	–	382	(5,007)	(4,625)	
Dividend paid relating to 2009	9	–	–	–	(4,600)	(4,600)	
At 30th September 2009		<u>400</u>	<u>456,073</u>	<u>(334,427)</u>	<u>35,091</u>	<u>157,137</u>	

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2009

	(Unaudited)	
	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(8,720)	9,146
Net cash generated from investing activities	60	391
Net cash used in financing activities	(4,600)	(4,000)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents and bank overdraft	(13,260)	5,537
Net cash and cash equivalents at the beginning of the period	125,951	106,239
Exchange loss on cash and cash equivalents	(71)	(8)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	112,620	111,768
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	112,620	111,768
	<hr/>	<hr/>
	112,620	111,768
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The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

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

This unaudited condensed consolidated interim financial information (“Interim Financial Information”) is presented in thousands of units of Hong Kong dollars (HK\$’000), unless otherwise stated. This Interim Financial Information has been approved for issue by the board of directors (the “Board of Directors”) of the Company on 25th November 2009.

2 BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30th September 2009 is unaudited and has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

This Interim Financial Information should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended 31st March 2009 and the accompanying explanatory notes attached to this Interim Financial Information.

3 ACCOUNTING POLICIES

The preparation of this Interim Financial Information in conformity with International Financial Reporting Standards (“IFRSs”) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

The accounting policies adopted are consistent with those used in the audited consolidated annual financial statements for the year ended 31st March 2009 with the adoption of the following standards, which are relevant to the Group’s operations and are mandatory for the financial year ending 31st March 2010:

IFRS 8 “Operating Segments” – IFRS 8 replaces IAS 14 “Segment Reporting”. It requires a management approach under which segment information is presented on the same basis as that used for internal reporting purpose and in a manner consistent with the internal reporting provided to the chief operating decision maker. This has resulted in a redesignation of the Group’s reportable segments, but does not have any effect on the reported results or financial position of the Group. Comparatives of segment information have been restated.

IAS 1 (Revised) “Presentation of Financial Statements” – The revised standard prohibits the presentation of items of income and expenses (that is “non-owner changes in equity”) in the statement of changes in equity, and requires “non-owner changes in equity” to be presented separately from owner changes in equity. All “non-owner changes in equity” are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present both the consolidated income statement and consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

This Interim Financial Information has been prepared under the revised disclosure requirements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st April 2009, but are not currently relevant to the Group.

IAS 23 (revised)	"Borrowing costs"
IAS 32 (amendment)	"Financial instruments: presentation"
IFRS 2 (amendment)	"Share-based payment"
IFRS 7 (amendment)	"Financial instruments: disclosures"
Amendments to IFRS 1 and IAS 27	"Cost of an investment in a subsidiary, jointly controlled entity and associate"
IFRIC – Int 9 (amendment) and IAS 39 (amendment)	"Reassessment of embedded derivatives" and "Financial instruments: recognition and measurement"
IFRIC – Int 13	"Customer loyalty programmes"
IFRIC – Int 15	"Agreements for the construction of real estate"
IFRIC – Int 16	"Hedges of a net investment in a foreign operation"

Apart from the above, a number of improvements and minor amendments to IFRSs have also been issued and effective for the accounting period ended 30th September 2009 but have no significant impact on this Interim Financial Information.

4 SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating Segments" with effect from 1st April 2009. IFRS 8 requires operating segments to be identified based on internal reporting that is regularly reviewed by the chief operating decision maker. The Group has regarded the Group's Executive Committee as the chief operating decision maker in order to allocate resources to segments and to assess their performance.

The Group is organised operationally on a worldwide basis in one major business segment - publication, marketing and distribution of lifestyle magazines. The business segment is further evaluated on a geographical basis. This is the main measure reported to the Group's Executive Committee for the purposes of resources allocation and assessment of segment performance.

The Group's Executive Committee assesses the performance of the operating segments based on a measure of operating profit/loss before tax. Other information provided is measured in a manner consistent with that in the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

The Group's turnover and results for the period, analysed by operating segments are as follows:

	(Unaudited)					
	Six months ended 30th September					
	Publication, marketing and distribution of lifestyle magazines					
	Hong Kong		Mainland China		Total	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>63,634</u>	88,109	<u>14,162</u>	13,959	<u>77,796</u>	102,068
Segment profit/(loss) before income tax	<u>10,241</u>	20,068	<u>(9,228)</u>	(7,394)	<u>1,013</u>	12,674
Unallocated expenses					<u>(5,119)</u>	(5,594)
(Loss)/profit before income tax					<u>(4,106)</u>	7,080
Income tax expense					<u>(901)</u>	(3,069)
(Loss)/profit for the period					<u>(5,007)</u>	4,011
Other information:						
Depreciation					<u>1,610</u>	1,697
Amortisation of intangible assets					<u>18</u>	2

The Group's assets by operating segments are as follows:

	(Unaudited)			
	Publication, marketing and distribution of lifestyle magazines			
	Hong Kong	Mainland China	Eliminations	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 30th September 2009				
Segment assets	<u>239,696</u>	<u>26,239</u>	<u>(84,358)</u>	<u>181,577</u>
As at 31st March 2009				
Segment assets	<u>239,828</u>	<u>25,171</u>	<u>(73,818)</u>	<u>191,181</u>

For the six months ended 30th September 2009, revenues of approximately HK\$11,452,000 (for the six months ended 30th September 2008: HK\$14,551,000) are derived from a single external customer. These revenues are attributable to the distribution of lifestyle magazines.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 EXPENSES BY NATURE

	(Unaudited)	
	Six months ended	
	30th September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials used	22,232	26,779
Depreciation	1,610	1,697
Amortisation of intangible assets	18	2
Employee benefit expenses (including directors' emoluments)	28,974	30,188
Loss on disposal of property, plant and equipment	2	45
	<u>2</u>	<u>45</u>

6 OTHER INCOME

	(Unaudited)	
	Six months ended	
	30th September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	168	1,039
License fee income	822	909
	<u>990</u>	<u>1,948</u>

7 INCOME TAX EXPENSE

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

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period.

No provision for the People's Republic of China ("PRC") enterprise income tax has been made as the Group has no assessable profits generated in PRC during the six months ended 30th September 2009 (2008: Nil).

	(Unaudited)	
	Six months ended	
	30th September	
	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong profits tax		
– Current income tax charge	1,044	3,148
Deferred income tax		
– Current deferred income tax credit	(143)	(79)
	<u>901</u>	<u>3,069</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 (LOSS)/EARNINGS PER SHARE

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

	(Unaudited)	
	Six months ended	
	30th September	
	2009	2008
	HK\$'000	HK\$'000
(Loss)/profit attributable to the equity holders of the Company	<u>(5,007)</u>	<u>4,011</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>400,000</u>	<u>400,000</u>
Basic (loss)/earnings per share (HK cents per share)	<u>(1.25)</u>	<u>1</u>

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share presented as there is no dilutive effect arising from the share options granted by the Company.

9 DIVIDENDS

The directors (the "Directors") of the Company have declared an interim dividend of HK0.5 cent (2008: HK0.6 cent) per ordinary share, totalling HK\$2,000,000 (2008: HK\$2,400,000) payable on 15th January 2010 to shareholders whose names appear on the register of members of the Company on 5th January 2010.

A final dividend of HK1.15 cents (2008: HK1 cent) per share for the year ended 31st March 2009, totalling HK\$4,600,000 (2008: HK\$4,000,000) was paid on 10th September 2009.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	(Unaudited)	(Audited)
	30th September	31st March
	2009	2009
	HK\$'000	HK\$'000
Unlisted securities:		
– Equity linked notes	<u>–</u>	<u>–</u>
Market value of unlisted securities	<u>–</u>	<u>–</u>

The instruments were designated by management as financial assets at fair value through profit or loss on initial recognition.

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

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

A loss of the fair value on equity linked notes of HK\$4,409,000 was recognised in the administrative expenses in the consolidated income statement for the six months ended 30th September 2008.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 TRADE AND OTHER RECEIVABLES

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

	(Unaudited) 30th September 2009 HK\$'000	(Audited) 31st March 2009 <i>HK\$'000</i>
0 to 60 days	23,519	25,101
61 to 120 days	10,639	10,122
121 to 180 days	4,030	2,089
Over 180 days	1,573	1,341
	39,761	38,653

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

There is no concentration of credit risk with respect to trade receivables, as it is mitigated by the Group's large customer base. As at 30th September 2009 and 31st March 2009, the fair values of trade and other receivables approximated their carrying values.

12 TRADE AND OTHER PAYABLES

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

	(Unaudited) 30th September 2009 HK\$'000	(Audited) 31st March 2009 <i>HK\$'000</i>
0 to 60 days	4,146	4,391
61 to 120 days	9	1,870
121 to 180 days	745	337
Over 180 days	865	196
	5,765	6,794

As at 30th September 2009 and 31st March 2009, the fair values of trade and other payables approximated their carrying values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 SHARE CAPITAL

	Number of ordinary shares issued <i>(in thousands)</i>	Ordinary shares issued <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at				
30th September 2008,				
31st March 2009,				
1st April 2009 and				
30th September 2009	<u>400,000</u>	<u>400</u>	<u>456,073</u>	<u>456,473</u>

The total authorised number of ordinary shares is 4,000 million shares (2008: 4,000 million shares) with a par value of HK\$0.001 per share (2008: HK\$0.001). All issued shares are fully paid.

14 RELATED PARTY TRANSACTIONS

The ultimate parent of the Company is Media Chinese International Limited ("MCI"), a company incorporated in Bermuda.

The following transactions were carried out with related parties:

- (i) During the period ended 30th September 2009, the Group had entered into the following significant transactions with fellow subsidiaries:

		(Unaudited) Six months ended 30th September	
		2009	2008
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
License fees	<i>a</i>	4,251	6,132
Circulation support services	<i>b</i>	734	845
Library support fee	<i>c</i>	126	211
IS programming support services	<i>d</i>	318	350
Administrative support services	<i>e</i>	914	1,048
Human resources, corporate communications and legal services	<i>f</i>	718	434
Leasing of computers and other office equipment	<i>g</i>	106	86
Leasing of office space, storage space and parking spaces	<i>h</i>	871	901
Ticketing and accommodation expenses	<i>i</i>	293	725
Barter advertising expenses	<i>j</i>	888	758
Barter advertising income	<i>k</i>	(937)	(511)
Printing costs	<i>l</i>	479	–
Pension costs – defined contribution plan	<i>m</i>	805	783

Notes:

- (a) This represented license fees of the right to use the trademark for the printing of "Ming Pao Weekly", "Hi-Tech Weekly" and their past contents by a fellow subsidiary. It is charged at a pre-determined rate calculated by reference to the license fees charged by third party licensors to the Group.
- (b) This represented recharge of circulation support services relating to the distribution, sale and promotion of the publications of the Group by a fellow subsidiary. It is charged on a cost reimbursement basis.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 RELATED PARTY TRANSACTIONS *(Continued)*

- (i) During the period ended 30th September 2009, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*
- (c) This represented recharge by a fellow subsidiary relating to provision of library support services including data classification, data indexing and filing, data storage management and retrieval, data provision and newspaper clipping. It is charged on a cost reimbursement basis.
- (d) This represented recharge of internet-related services, networking services, data management services, general computing and programming support services and system analysis by a fellow subsidiary. It is charged on a cost reimbursement basis.
- (e) This represented recharge of security services, cleaning services, mail processing and messenger services, ordering and distribution of office supplies services, receptionist and general clerical services by a fellow subsidiary. It is charged on a cost reimbursement basis.
- (f) This represented recharge of human resources, corporate communications and legal service by a fellow subsidiary. It is charged on a cost reimbursement basis.
- (g) This represented the total amount of the depreciation charges of the equipment provided by a fellow subsidiary. They are charged on a cost reimbursement basis.
- (h) This represented the rental for leasing of office space, storage space and parking spaces. The rentals are charged at a pre-determined rate calculated by reference to the prevailing market rates.
- (i) This represented the ticketing and accommodation expenses paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.
- (j) This represented the advertising expenses on barter basis in accordance with barter advertising agreement entered into with a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.
- (k) This represented the advertising income on barter basis in accordance with barter advertising agreement entered into with a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.
- (l) This represented the printing costs charged by a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.
- (m) This represented defined contribution cost made to a fellow subsidiary for the Group's pension obligation. There is no stated policy or contractual agreement between the Group and MCI and its subsidiaries (the "MCI Group"). It is charged based on a pre-determined rate of its employees' salaries.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 RELATED PARTY TRANSACTIONS *(Continued)*

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

	(Unaudited) 30th September 2009 HK\$'000	(Audited) 31st March 2009 HK\$'000
Amounts due to fellow subsidiaries	<u>1,751</u>	<u>1,508</u>

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

- (iii) Key management compensation

	(Unaudited) Six months ended 30th September 2009 HK\$'000	2008 HK\$'000
Salaries and other short-term employee benefits	2,771	3,175
Contributions to pension scheme	99	65
Share compensation costs on share options granted	<u>97</u>	<u>222</u>
	<u>2,967</u>	<u>3,462</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results Summary

The global financial crisis had a lasting impact on the retail sector in Hong Kong, which in turn reduced the demand for advertisements in magazines. The difficult operating environment was further exacerbated by the outbreak of H1N1 influenza which disrupted the traditional peak seasons of the retail business.

The Group's revenue, majority of which comprises advertising placements on its magazine projects primarily from branded products, was therefore adversely affected. Consolidated turnover during the six months ended 30th September 2009 declined 24% to HK\$77,796,000 from HK\$102,068,000 in the last corresponding period. The Group reported a loss of HK\$5,007,000 during the period, compared with a profit after tax of HK\$4,011,000 a year ago.

Review of Operations

Hong Kong

During the period under review, the Group published three magazines in Hong Kong, namely "*Ming Pao Weekly*", "*Hi-Tech Weekly*", and "*Top Gear 極速誌*". These titles contributed a combined revenue of HK\$63,634,000 for the six months ended 30th September 2009 (2008: HK\$88,109,000), down by 28% from the same period last year. Operating profit dropped by 49% to HK\$10,241,000 (2008: HK\$20,068,000).

"*Ming Pao Weekly*", the Group's premier celebrity and lifestyle title, experienced a significant reduction in its advertising revenue as advertisers, mostly luxury branded products, either put their advertising budgets on hold awaiting a recovery in the retail sector, or reduced or even cancelled their budgets during the first two quarters of the financial year 2009/2010. This was in sharp contrast with the same period last year, when the title reported record high advertising revenue. The decline in revenue stemmed from both a decrease in frequency of placing advertisements in the magazine and a reduction in advertising rates in response to the weak demand.

The decline in operating profit of this title during the period, nonetheless, was less than the decline in revenue because of the effective cost control measures enacted persistently. These measures included a respectable savings on paper and printing costs, savings from streamlining the title's personnel structure, and a reduction in marketing costs.

"*Hi-Tech Weekly*" during this difficult period continued to strengthen its content in order to maintain its circulation steadily. During the period under review, "*Hi-Tech Weekly*" hosted three "Gadgets Fair" in several major shopping malls. These gadgets fairs gained positive feedbacks from advertisers as their target audience was reached and helped strengthen the title's position as one of the advertisers' top choices for their advertisements of consumer electronics products.

"*Top Gear 極速誌*" ("Top Gear Hong Kong") completed its first year operation since the launch of its inaugural issue in October 2008, when the global financial crisis first emerged. With the exceptional hard work of its editorial and advertising sales teams, the title has started to see a healthy growth in both advertising and circulation income. This is an encouraging development under a very difficult environment where the automobile sector in Hong Kong had been badly hit by the crisis. Nevertheless, the teams are still confident in building this title into the best automobile magazine in Hong Kong in the near future.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of Operations (Continued)

Mainland China

The operation in Mainland China contributed a turnover of HK\$14,162,000 (2008: HK\$13,959,000) to the Group, representing a 1% slight increase from the last corresponding period. The operating loss increased to HK\$9,228,000 (2008: HK\$7,394,000) because of the increase in production costs as a result of the content revamp of “MING 明日風尚”.

“MING 明日風尚”, following its revamp in October 2008, enjoyed positive feedbacks from readers and advertisers. It is highly regarded for its premium quality content and positioning as a wide window of information for affluent local Chinese to gain knowledge on cutting-edge foreign lifestyle. A marketing research has been commissioned to establish a documented backing to illustrate to advertisers the high level of influence this magazine brings to its target readers.

“Top Gear 汽車測試報告” (“Top Gear China”) benefited from the buoyant automobile sector in Mainland China and recorded growth in advertising revenue. Top Gear China will continue to focus on the high-end imported cars segment. Leveraging the latter’s expertise in content production and development in the category, the Group plans to integrate the editorial functions of this title to that of Top Gear Hong Kong so that resources can be more efficiently managed.

“Popular Science 科技新時代” remains one of the leading magazines in the science infotainment category and continues to have sustaining support from its loyal readership and advertiser clientele. The Group has embarked on an initiative to adopt the event-and-print business model from “Hi-Tech Weekly” on this title.

Outlook

The Group believes that the impact of the recoveries in the stock and real estate markets in Hong Kong since the second calendar quarter this year will gradually diffuse into the luxury goods retail sector in the fourth calendar quarter this year or the first calendar quarter next year. This will help the Group’s advertising revenue revive.

In Mainland China, the Group will continue to exploit means to leverage the distribution network developed over the years and the positioning of its magazine titles published there to create more opportunities.

Bearing unforeseen circumstances, the Group remains cautiously optimistic about its operations in the second half of this financial year.

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment for the six months ended 30th September 2009 amounted to HK\$197,000.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

CONTINGENT LIABILITIES

As at 30th September 2009, the Group did not have any material contingent liabilities or guarantees (31st March 2009: Nil).

SHARE OPTIONS

The Company has two share option schemes. A pre-IPO share option scheme ("Pre-IPO Share Option Scheme") was approved and adopted by shareholders on 26th September 2005. Another share option scheme, a post-IPO share option scheme ("Post-IPO Share Option Scheme") was also approved on the same date, 26th September 2005 by the shareholders of the Company. The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Post-IPO Share Option Scheme (where applicable) except for the following principal terms: (a) the subscription price per share was the final Hong Kong dollar price per share at which shares were to be sold in an offer for sale in Hong Kong on 18th October 2005 (the "Listing Date"), being the date of the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"); and (b) no options would be offered or granted upon the commencement of dealings in the shares of the Stock Exchange.

Under the Post-IPO Share Option Scheme, the subscription price per share is a price to be determined by the Board of Directors which shall be the highest of the closing price of the shares on the Stock Exchange on the relevant offer date, the average closing price of the shares on the Stock Exchange for the five trading days immediately preceding the relevant offer date or the nominal value of the shares. The Board of Directors may grant options to subscribe the shares of the Company to any full time employee, executive and non-executive directors (including the independent non-executive directors) of the Group or MCI Group. No share option was granted under the Post-IPO Share Option Scheme during the six months ended 30th September 2009.

SHARE OPTIONS (Continued)

Details of the share options outstanding and movements during the six months ended 30th September 2009 are as follows:

Grantee	Number of shares involved in share options				Balance at 30th September 2009	Percentage of issued ordinary shares at 30th September 2009	Exercise price per share HK\$	Date of conditional grant	Exercisable period
	Balance at 1st April 2009	Granted during the period (Note 4)	Exercised during the period (Note 4)	Lapsed during the period (Note 3)					
Directors:									
Mr. TIONG Kiu King	(Note 1)	1,250,000	-	-	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TIONG Kiew Chiong	(Note 1)	1,250,000	-	-	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TUNG Siu Ho, Terence	(Note 1)	1,000,000	-	-	1,000,000	0.25%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. Peter Bush BRACK	(Note 1)	1,250,000	-	-	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. YU Hon To, David	(Note 1)	150,000	-	-	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. SIT Kien Ping, Peter	(Note 1)	150,000	-	-	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. TAN Hock Seng, Peter	(Note 1)	150,000	-	-	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
		<u>5,200,000</u>	-	-	<u>5,200,000</u>	<u>1.30%</u>			
MCI's directors:									
Tan Sri Datuk Sir TIONG Hiew King	(Note 1)	1,250,000	-	-	1,250,000	0.31%	1.200	27/9/2005	18/10/2005-25/9/2015
Dato' Sri Dr. TIONG Ik King	(Note 1)	1,000,000	-	-	1,000,000	0.25%	1.200	27/9/2005	18/10/2005-25/9/2015
Mr. Victor YANG*	(Note 1)	150,000	-	-	150,000	0.04%	1.200	27/9/2005	18/10/2005-25/9/2015
		<u>2,400,000</u>	-	-	<u>2,400,000</u>	<u>0.60%</u>			
Full time employees	(Note 1)	4,050,000	-	(200,000)	3,850,000	0.96%	1.200	27/9/2005	18/10/2005-25/9/2015
Full time employees	(Note 2)	888,000	-	(24,000)	864,000	0.22%	1.200	27/9/2005	18/10/2005-25/9/2015
Total		<u>12,538,000</u>	-	<u>(224,000)</u>	<u>12,314,000</u>	<u>3.08%</u>			

* Mr. Victor YANG resigned as an independent non-executive director of MCI on 1st October 2009.

Notes:

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

- 20% of the Company's shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or
- 100% of the Company's shares comprised in each of the option will fully vest on the first anniversary of the Listing Date,

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

- During the period, 224,000 share options have lapsed by reason of the grantees ceased to be full time employees of the Group.
- No share option was granted, exercised or cancelled during the period.

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

As at 30th September 2009, the interests or short position of the directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified or as required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules are as follows:

(a) Interests in the Company's shares

Name of Director	Number of shares/underlying shares held					Interests in underlying shares pursuant to share options (Note)	Aggregate interests	Percentage of issued ordinary shares as at 30th September 2009
	Personal interests	Family interests	Corporate interests	Total interests in shares				
Mr. TIONG Kiu King	-	-	-	-	-	1,250,000	1,250,000	0.31%
Mr. TIONG Kiew Chiong	4,000,000	-	-	4,000,000	-	1,250,000	5,250,000	1.31%
Mr. TUNG Siu Ho, Terence	-	-	-	-	-	1,000,000	1,000,000	0.25%
Mr. Peter Bush BRACK	110,000	-	-	110,000	-	1,250,000	1,360,000	0.34%
Mr. YU Hon To, David	-	-	-	-	-	150,000	150,000	0.04%
Mr. SIT Kien Ping, Peter	-	-	-	-	-	150,000	150,000	0.04%
Mr. TAN Hock Seng, Peter	200,000	-	-	200,000	-	150,000	350,000	0.09%

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

(b) Interests in shares in MCI

Name of Director	Number of shares/underlying shares held					Deemed Interests in MCI's share pursuant to share options (Note)	Total number of MCI's shares in which the Director has or is deemed to have interests	Approximate percentage of issued ordinary shares in MCI as at 30th September 2009
	Personal interests	Family interests	Corporate interests	Total interests in shares				
Mr. TIONG Kiu King	2,540,559	147,000	-	2,687,559	-	600,000	3,287,559	0.20%
Mr. TIONG Kiew Chiong	4,796,483	-	-	4,796,483	-	600,000	5,396,483	0.32%

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

(b) Interests in shares in MCI (Continued)

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

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

Save as disclosed above and those disclosed under the paragraph "Share Options", as at 30th September 2009, none of the directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30th September 2009, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of issued ordinary shares as at 30th September 2009
Comwell Investment Limited (<i>Note 1</i>)	251,339,812	Beneficial owner	62.83%
RGM Ventures Limited (<i>Note 2</i>)	44,260,188	Beneficial owner	11.07%

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

Notes:

- Comwell Investment Limited is an indirect wholly-owned subsidiary of MCI. Tan Sri Datuk Sir TIONG Hiew King, a director of MCI, is deemed interested in MCI in an aggregate of 52.51% by virtue of his personal interests, family interests and corporate interests. Dato' Sri Dr. TIONG Ik King, a director of MCI, is deemed interested in MCI in an aggregate of 15.59% by virtue of his personal interests and corporate interests.

In addition, MCI is directly held as to (i) 9.16% by Zaman Pemimpin Sdn Bhd which is jointly owned by Sharifah Rokayah Binti WAN OTHMAN and Salleh Bin DELAMID, and (ii) 5.07% by Employees Provident Fund Board.

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

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

Save as disclosed above and those disclosed under “Directors’ Interests and Short Positions in the Share Capital and Debentures of the Company and its Associated Corporations”, the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company as at 30th September 2009.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares during the six months ended 30th September 2009.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Wednesday, 30th December 2009 to Tuesday, 5th January 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK0.5 cent per ordinary share, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s share registrar and transfer office, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 29th December 2009.

EMPLOYEES

As at 30th September 2009, the Group had approximately 227 employees (31st March 2009: approximately 242 employees), of which 148 and 79 were stationed in Hong Kong and in Mainland China, respectively. The Group remunerates its employees based on the operating results, individual performance and comparable market statistics. The emoluments of the Directors and senior management are reviewed by the Remuneration Committee regularly. The Company has implemented share option schemes as an incentive to the Directors and eligible employees.

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

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules and complied with the code provisions in the CG Code for the six months ended 30th September 2009.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as the code for securities transactions by the directors. The Directors have confirmed, following specific enquiries by the Company, their compliance with the required standard as set out in the Model Code for the six months ended 30th September 2009.

The Company has also established written guidelines regarding securities transactions on no less exacting terms of the Model Code for senior management and specific individual who may have access to price sensitive information in relation to the securities of the Company.

AUDIT COMMITTEE

The Company established an Audit Committee on 26th September 2005 with written terms of reference. The Audit Committee currently comprises three independent non-executive directors, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30th September 2009.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

UPDATE ON BIOGRAPHICAL DETAILS OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, set out below are the updated biographical details of directors since the date of the 2009 Annual Report:

Mr. TIONG Kiew Chiong, an executive director and the Deputy Chairman of the Company, was appointed as an executive director of Tri-M Technologies (S) Limited, a Singaporean company listed on the main board of Singapore Stock Exchange (stock code: T13), on 28th July 2009. The Company name of Tri-M Technologies (S) Limited was changed to RH Petrogas Limited with effect from 24th November 2009. Mr. TIONG Kiew Chiong obtained a Bachelor Degree of Business Administration (Honours) from York University, Toronto, Canada in 1982.

By Order of the Board

TIONG Kiu King

Director

Hong Kong, 25th November 2009

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