

One Media Group **Interim Report 2010/11**

萬華 媒體

二〇一〇至一一年度中期報告

One Media Group Limited
萬華媒體集團有限公司

Stock Code 股份代號：426

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

		(Unaudited)	
		Six months ended	
		30th September	
		2010	2009
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Turnover	4	89,318	77,796
Cost of goods sold		<u>(45,314)</u>	<u>(45,784)</u>
Gross profit		44,004	32,012
Other income	6	1,735	990
Selling and distribution costs		(22,295)	(21,327)
Administrative expenses		<u>(15,323)</u>	<u>(15,781)</u>
Profit/(loss) before income tax		8,121	(4,106)
Income tax expense	7	<u>(2,488)</u>	<u>(901)</u>
Profit/(loss) for the period		<u>5,633</u>	<u>(5,007)</u>
Profit/(loss) attributable to:			
Equity holders of the Company		<u>5,633</u>	<u>(5,007)</u>
Earnings/(loss) per share attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
– Basic and diluted	8	<u>1.41</u>	<u>(1.25)</u>
Dividends	9	<u>3,000</u>	<u>2,000</u>

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	(Unaudited)	
	Six months ended	
	30th September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	5,633	(5,007)
Other comprehensive income		
Currency translation differences	<u>581</u>	<u>144</u>
Total comprehensive income/(loss) for the period	<u>6,214</u>	<u>(4,863)</u>
Total comprehensive income/(loss) attributable to:		
– Equity holders of the Company	<u>6,214</u>	<u>(4,863)</u>

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

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2010

	Note	(Unaudited) 30th September 2010 HK\$'000	(Audited) 31st March 2010 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		3,738	4,318
Intangible assets		2,584	2,591
Deferred income tax assets		24	–
		<u>6,346</u>	<u>6,909</u>
Current assets			
Inventories		9,240	11,045
Trade and other receivables	10	47,239	44,535
Current income tax recoverable		–	645
Cash and cash equivalents		93,942	125,365
		<u>150,421</u>	<u>181,590</u>
Total assets		<u>156,767</u>	<u>188,499</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	12	400	400
Share premium	12	456,073	456,073
Other reserves		(332,488)	(333,175)
Retained earnings			
– Proposed dividends	9	3,000	42,000
– Others		4,393	1,760
		<u>131,378</u>	<u>167,058</u>
Total equity		<u>131,378</u>	<u>167,058</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		–	41
Long service payment obligations		32	32
		<u>32</u>	<u>73</u>
Current liabilities			
Trade and other payables	11	17,955	16,622
Amounts due to fellow subsidiaries		7,082	4,746
Current income tax liabilities		320	–
		<u>25,357</u>	<u>21,368</u>
Total liabilities		<u>25,389</u>	<u>21,441</u>
Total equity and liabilities		<u>156,767</u>	<u>188,499</u>
Net current assets		<u>125,064</u>	<u>160,222</u>
Total assets less current liabilities		<u>131,410</u>	<u>167,131</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	(Unaudited)				
	Attributable to equity holders of the Company				
Note	Share capital HK\$'000	Share premium HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1st April 2009	400	456,073	(334,809)	44,698	166,362
Comprehensive income					
Loss for the period	–	–	–	(5,007)	(5,007)
Other comprehensive income:					
Currency translation differences	–	–	144	–	144
Total comprehensive income /(loss) for the period	–	–	144	(5,007)	(4,863)
Transactions with shareholders					
Share compensation costs on share options granted	–	–	238	–	238
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>
At 1st April 2010	400	456,073	(333,175)	43,760	167,058
Comprehensive income					
Profit for the period	–	–	–	5,633	5,633
Other comprehensive income:					
Currency translation differences	–	–	581	–	581
Total comprehensive income for the period	–	–	581	5,633	6,214
Transactions with shareholders					
Share compensation costs on share options granted	–	–	106	–	106
Dividend paid relating to 2010	9	–	–	(42,000)	(42,000)
At 30th September 2010	<u>400</u>	<u>456,073</u>	<u>(332,488)</u>	<u>7,393</u>	<u>131,378</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2010

	(Unaudited)	
	Six months ended	
	30th September	
	2010	2009
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	10,784	(8,720)
Net cash (used in)/ generated from investing activities	(283)	60
Net cash used in financing activities	(42,000)	(4,600)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(31,499)	(13,260)
Net cash and cash equivalents at the beginning of the period	125,365	125,951
Exchange gain/(loss) on cash and cash equivalents	76	(71)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	93,942	112,620
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents	93,942	112,620
	<hr/>	<hr/>
	93,942	112,620
	<hr/> <hr/>	<hr/> <hr/>

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

NOTES TO THE CONDENSED CONSOLIDATED 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 ("Financial Information") is presented in Hong Kong dollars, unless otherwise stated. This Financial Information has been approved for issue by the board of directors (the "Board of Directors") of the Company on 25th November 2010.

2 BASIS OF PREPARATION

This Financial Information for the six months ended 30th September 2010 has been reviewed by PricewaterhouseCoopers, Hong Kong, the auditors of the Company, in accordance with International Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the International Auditing and Assurance Standards Board, and by the audit committee of the Company (the "Audit Committee").

This Financial Information for the six months ended 30th September 2010 is unaudited and has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This Financial Information should be read in conjunction with the audited consolidated annual financial statements of the Group for the year ended 31st March 2010 and the accompanying explanatory notes attached to this Financial Information.

3 ACCOUNTING POLICIES

The preparation of this 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 2010. International Accounting Standards Board has issued a number of new standards, amendments to standards and interpretations that have become effective for the accounting period beginning 1st April 2010. These amendments to standards and interpretations had no material impact on the Group's results and financial positions.

The Group has not early adopted new or revised standards and amendments to standards that have been issued but are not yet effective for the accounting period beginning 1st April 2010. The Group is in the process of making an assessment of the impact of these new or revised standards and amendments to standards on the Group's results and financial position in the period of initial application.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 SEGMENT INFORMATION

IFRS 8 "Operating Segments" 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's Executive Committee considers the business from geographical perspective. Geographically, management considers the performance of publication, marketing and distribution of lifestyle magazines in Hong Kong and Mainland China.

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

The Group's turnover and results provided to the Executive Committee for the reporting segments for the period ended 30th September 2010 are as follows:

	(Unaudited)					
	Six months ended 30th September					
	Publication, marketing and distribution of lifestyle magazines					
	Hong Kong		Mainland China		Total	
	2010	2009	2010	2009	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>73,165</u>	<u>63,634</u>	<u>16,153</u>	<u>14,162</u>	<u>89,318</u>	<u>77,796</u>
Segment profit/(loss) before income tax	<u>19,573</u>	<u>10,241</u>	<u>(7,399)</u>	<u>(9,228)</u>	<u>12,174</u>	1,013
Unallocated expenses					<u>(4,053)</u>	<u>(5,119)</u>
Profit/(loss) before income tax					<u>8,121</u>	(4,106)
Income tax expense					<u>(2,488)</u>	<u>(901)</u>
Profit/(loss) for the period					<u>5,633</u>	<u>(5,007)</u>
Other information:						
Depreciation of property, plant and equipment					<u>1,055</u>	<u>1,610</u>
Amortisation of intangible assets					<u>21</u>	<u>18</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 SEGMENT INFORMATION *(Continued)*

The segment assets and liabilities as at 30th September 2010 are as follows:

	Hong Kong	Mainland China	Eliminations	Unallocated	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	226,316	42,723	(112,296)	24	156,767
Liabilities	(13,770)	(123,595)	112,296	(320)	(25,389)
Capital expenditure	<u>221</u>	<u>248</u>	<u>-</u>	<u>-</u>	<u>469</u>

The segment assets and liabilities as at 31st March 2010 are as follows:

	Hong Kong	Mainland China	Eliminations	Unallocated	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	252,119	33,755	(98,020)	645	188,499
Liabilities	(12,603)	(106,817)	98,020	(41)	(21,441)
Capital expenditure	<u>218</u>	<u>200</u>	<u>-</u>	<u>-</u>	<u>418</u>

The Company is domiciled in Cayman Islands while the Group mainly operates its business in Hong Kong and Mainland China. The breakdown of the total of revenue from external customers from these two places is disclosed above.

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories, trade and other receivables and operating cash. They exclude deferred income tax assets and current income tax recoverable.

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

The eliminations between the reportable segments are intercompany receivables and payables between the operating segments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 EXPENSES BY NATURE

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

	(Unaudited)	
	Six months ended	
	30th September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials used	21,596	22,232
Depreciation of property, plant and equipment	1,055	1,610
Amortisation of intangible assets	21	18
Employee benefit expense (including directors' emoluments)	29,677	28,974
Loss on disposal of property, plant and equipment	–	2
Occupancy costs	1,760	1,944
	<u>1,760</u>	<u>1,944</u>

6 OTHER INCOME

	(Unaudited)	
	Six months ended	
	30th September	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	186	168
License fee income	325	822
Project income	1,224	–
	<u>1,735</u>	<u>990</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% (2009: 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 2010 (2009: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

7 INCOME TAX EXPENSE (Continued)

	(Unaudited)	
	Six months ended	
	30th September	
	2010	2009
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	2,554	1,044
Deferred income tax		
– Current deferred income tax credit	<u>(66)</u>	<u>(143)</u>
	<u>2,488</u>	<u>901</u>

8 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the Group's unaudited profit/(loss) 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	
	2010	2009
	HK\$'000	HK\$'000
Profit/(loss) attributable to equity holders of the Company	<u>5,633</u>	<u>(5,007)</u>
Weighted average number of ordinary shares in issue (in thousands)	<u>400,000</u>	<u>400,000</u>
Basic earnings/(loss) per share (HK cents per share)	<u>1.41</u>	<u>(1.25)</u>

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 for the six months ended 30th September 2010 of HK0.75 cent (2009: HK0.5 cent) per ordinary share, totalling HK\$3,000,000 (2009: HK\$2,000,000) payable on 14th January 2011 to shareholders whose names appear on the register of members of the Company on 5th January 2011.

A special dividend of HK10 cents (2009: Nil) per ordinary share, totalling HK\$40,000,000 (2009: Nil) and a final dividend of HK0.5 cent (2009: HK1.15 cents) per ordinary share, totalling HK\$2,000,000 (2009: HK\$4,600,000) for the year ended 31st March 2010 were paid on 10th September 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

10 TRADE AND OTHER RECEIVABLES

The Group allows in general a credit period ranging from 60 days to 120 days to its trade customers. At 30th September 2010, the ageing analysis of the Group's trade receivables by invoice date, net of impairment provision was as follows:

	(Unaudited)	(Audited)
	30th September	31st March
	2010	2010
	HK\$'000	HK\$'000
0 to 60 days	26,560	26,852
61 to 120 days	9,955	10,554
121 to 180 days	4,955	2,315
Over 180 days	1,592	1,549
	43,062	41,270

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 2010 and 31st March 2010, the fair values of trade and other receivables approximated their carrying values.

11 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and their ageing analysis by invoice date was as follows:

	(Unaudited)	(Audited)
	30th September	31st March
	2010	2010
	HK\$'000	HK\$'000
0 to 60 days	3,104	3,015
61 to 120 days	73	40
121 to 180 days	29	25
Over 180 days	25	25
	3,231	3,105

As at 30th September 2010 and 31st March 2010, the fair values of trade and other payables approximated their carrying values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

12 SHARE CAPITAL

	Number of issued shares <i>(in thousands)</i>	Ordinary shares <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at				
30th September 2009, 31st March 2010, 1st April 2010 and 30th September 2010	<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 (2009: 4,000 million shares) with a par value of HK\$0.001 per share (2009: HK\$0.001). All issued shares are fully paid.

13 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 2010, the Group had entered into the following significant transactions with fellow subsidiaries:

	<i>Note</i>	(Unaudited) Six months ended 30th September	
		2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
License fees	<i>a</i>	4,849	4,251
Circulation support services	<i>b</i>	694	734
Library support fee	<i>c</i>	127	126
Administrative support services	<i>d</i>	2,207	2,055
Leasing of office space, storage space and parking spaces	<i>e</i>	835	871
Ticketing and accommodation expenses	<i>f</i>	225	293
Barter advertising expenses	<i>g</i>	715	950
Barter advertising income	<i>h</i>	(486)	(937)
Type-setting, colour separation and film making expenses	<i>i</i>	41	59
Printing costs	<i>j</i>	4,880	479
Pension costs – defined contribution plan	<i>k</i>	<u>798</u>	<u>805</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 RELATED PARTY TRANSACTIONS *(Continued)*

- (i) During the period ended 30th September 2010, the Group had entered into the following significant transactions with fellow subsidiaries: *(Continued)*

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 range of license fees charged by third party licensors to the Group.
- (b) This represented recharge of circulation support services relating to the distribution, sale and promotion of the publications of the Group by a fellow subsidiary. It is charged on a cost reimbursement basis.
- (c) This represented recharge by a fellow subsidiary relating to provision of library support services including data classification, data indexing and filing, data storage management and retrieval, data provision and newspaper clipping. It is charged on a cost reimbursement basis.
- (d) This represented recharge of administrative support services, human resources, corporate communications and legal services, information system support services and depreciation on certain computers and office equipment leased from a fellow subsidiary. It is charged on a cost reimbursement basis.
- (e) 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.
- (f) 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.
- (g) This represented the advertising expenses on barter basis in accordance with barter advertising agreement entered into with MCI. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.
- (h) This represented the advertising income on barter basis in accordance with barter advertising agreement entered into with MCI. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.
- (i) This represented the type-setting, colour separation and film making expenses charged by a fellow subsidiary. It is charged at a pre-determined rate calculated based on the costs incurred.
- (j) 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.
- (k) 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 FINANCIAL INFORMATION

13 RELATED PARTY TRANSACTIONS *(Continued)*

- (ii) Period/year end balance arising from the related parties transactions as disclosed in Note 13(i) above was as follows:

	(Unaudited)	(Audited)
	30th September	31st March
	2010	2010
	HK\$'000	HK\$'000
Amounts due to fellow subsidiaries	<u>7,082</u>	<u>4,746</u>

The outstanding balances with fellow subsidiaries are aged within 30 days and are unsecured, non-interest bearing and with normal credit terms of 180 days.

- (iii) Key management compensation

	(Unaudited)	
	Six months ended	
	30th September	
	2010	2009
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	2,640	2,771
Contributions to pension scheme	95	99
Share compensation costs on share options granted	<u>52</u>	<u>97</u>
	<u>2,787</u>	<u>2,967</u>

14 CONTINGENT LIABILITIES

As at 30th September 2010, the Group did not have any material contingent liabilities or guarantees (31st March 2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results Summary

Hong Kong's economy continues to improve, while the Group's businesses have also returned to normal levels before the outbreak of the financial crisis during the first six months in this financial year. The advertising revenue of the Group has satisfactory growth. Operating costs, meanwhile, have been contained at the same level of last year.

The Group's revenue for the six months ended 30th September 2010 was HK\$11,522,000 or 15% higher than the same period of the previous year at HK\$89,318,000 (2009: HK\$77,796,000). Profit after income tax for the period was HK\$5,633,000, compared with the loss after tax of HK\$5,007,000 for the same period of the previous year.

Review of Operations

Hong Kong

During the period under review, the Group published three magazines in Hong Kong, namely "*Ming Pao Weekly* 明報周刊" ("MP Weekly"), "*Hi-Tech Weekly* 數碼誌尚" ("HT Weekly"), and "*Top Gear* 極速誌" ("Top Gear Hong Kong").

Turnover from the operation in Hong Kong for the six-month period was HK\$73,165,000 (2009: HK\$63,634,000), up HK\$9,531,000 or 15% from the same period of the previous year. The increase mainly came from the growth in advertising revenue of MP Weekly benefited from Hong Kong's continuing economic recovery. The segment profit from the operation in Hong Kong surged by HK\$9,332,000 or 91% to HK\$19,573,000 (2009: HK\$10,241,000).

Starting from September, MP Weekly enriched its content with a revamped layout and expansion of entertainment news coverage to include overseas entertainment news and young parenting features, offered in higher quality paper. The enhancements allow this flagship title to raise its cover price to HK\$16 per copy, and helped improve its overall appeal. All these reinforce MP Weekly's positioning as a premier entertainment and lifestyle magazine targeting at both the young high-income and educated readership segment that has a strong consumption power.

HT Weekly adopted a similar strategy of ongoing strengthening of its content to improve the overall appeal, while gradually raising its cover price. Circulation and advertising income were buoyed by rapid changes in the electronic gadgets market during the period that prompted readers to rush in for latest updates. It continued to put resources into its event management business, including seminars and gadget fairs.

Top Gear Hong Kong began reaping harvest in terms of readership and advertising revenue as it approaches its second anniversary since launch. It is now well recognised by the market as the only international Chinese motor magazine in Hong Kong with a wider advertiser mix to include other luxury products in addition to purely motor-related products. During the period under review, the title recorded a stable growth in both circulation and advertising revenue. Top Gear Hong Kong has also started its event management business, helping major motor product brands to promote their products. This creates a new revenue stream on top of the advertising revenue.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Review of Operations (Continued)

Mainland China

Turnover from the operation in Mainland China increased by HK\$1,991,000 or 14% to HK\$16,153,000 (2009: HK\$14,162,000), primarily driven by higher advertising revenue from all magazines under the Group, namely “*MING* 明日風尚” (“MING”), “*Top Gear* 汽車測試報告” (“Top Gear China”), and “*Popular Science* 科技新時代” (“Popular Science”). The operating loss during the period reduced by HK\$1,829,000 or 20% to HK\$7,399,000 (2009: HK\$9,228,000).

As MING reinforces its positioning as a channel of modern foreign lifestyle information for affluent local Chinese, it has established a base of loyal readers. “*Hong Kong Voyage* 優遊香港”, a guide of high-end shopping and food and beverages in Hong Kong was launched last year and enjoyed increasing acceptance by advertisers and growing circulation. This guide is distributed as a supplement of MING in Mainland China and is also available in Hong Kong.

Top Gear China continued to receive benefits from the booming auto sector in Mainland China with steady advertising and circulation revenues. This title focuses on the high-end and imported cars segment.

Popular Science provides state-of-the-art science and technology content to readers in Mainland China and receives sustaining support from its loyal readership and advertiser clientele. Reinforcing its positioning as a leading science magazine, the title achieved a satisfactory growth on its advertising income compared with last year.

Outlook

In the second half of the financial year, the Group expects that the advertising revenue will continue to be benefited from the Hong Kong’s ongoing recovery which is supported by the relatively rapid growth of China’s economy. This will sustain the sales of luxury goods, consumer electronics and automobiles.

The Group continues to improve the performance of the operation in Mainland China. At the same time, the digital platform developed by its parent company, MCI will support the Group in exploring opportunities for new businesses by leveraging its strong publishing capabilities.

Based on the momentum established during the first half of the financial year and continuing stringent control over operating costs, if no unforeseen circumstances arise, the Group expects its overall performance for the financial year will be satisfactory.

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment for the six months ended 30th September 2010 amounted to HK\$469,000.

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 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.

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 2010.

SHARE OPTIONS (Continued)

Details of the share options outstanding and movements during the six months ended 30th September 2010 are as follows:

Grantee	Number of shares involved in share options				Balance at 30th September 2010	Percentage of issued ordinary shares at 30th September 2010	Exercise price per share HK\$	Date of conditional grant	Exercisable period
	Balance at 1st April 2010	Granted during the period (Note 3)	Exercised during the period (Note 3)	Lapsed during the period (Note 4)					
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)	-	-	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>-</u>	<u>(1,250,000)</u>	<u>3,950,000</u>	<u>0.99%</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
		<u>2,250,000</u>	<u>-</u>	<u>-</u>	<u>2,250,000</u>	<u>0.56%</u>			
Full time employees	(Note 1)	3,850,000	-	(650,000)	3,200,000	0.80%	1.200	27/9/2005	18/10/2005-25/9/2015
Full time employees	(Note 2)	856,000	-	(8,000)	848,000	0.21%	1.200	27/9/2005	18/10/2005-25/9/2015
Total		<u>12,156,000</u>	<u>-</u>	<u>(1,908,000)</u>	<u>10,248,000</u>	<u>2.56%</u>			

* Mr. Peter Bush BRACK resigned as a non-executive Director and Vice Chairman of the Company with effect from 10th May 2010 and his share options had lapsed upon his resignation.

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 exercisable period from the date of the offer of the option. As evidenced by the vesting periods of the options granted under the Pre-IPO Share Option Scheme, no option granted under the Pre-IPO Share Option Scheme was exercisable within six months from the Listing Date.

- No share option was granted, exercised or cancelled during the period.
- During the period, 1,908,000 share options have lapsed by reason of the grantees ceased to be full time employees of the Group.

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

As at 30th September 2010, 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 2010
	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. 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 of 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 of MCI as at 30th September 2010
	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	4,474,583	-	-	4,474,583	600,000	5,074,583	0.30%

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

(Continued)

(b) Interests in shares of MCI (Continued)

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

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

Save as disclosed above and those disclosed under the paragraph "Share Options", as at 30th September 2010, 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 2010, 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 2010
Comwell Investment Limited (<i>Note</i>)	295,600,000	Beneficial owner	73.90%

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

Note:

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 52.50% 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 9.16% by Zaman Pemimpin Sdn Bhd ("Zaman"). 49% of interest in Zaman is held by Globegate Alliance Sdn Bhd, a company jointly owned by Ms. LU Mee Bing and Salmiah Binti SANI.

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 2010.

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 2010.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members will be closed from Thursday, 30th December 2010 to Wednesday, 5th January 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK0.75 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 Wednesday, 29th December 2010.

EMPLOYEES

As at 30th September 2010, the Group had approximately 240 employees (31st March 2010: approximately 225 employees), of which 147 and 93 were stationed in Hong Kong and 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 2010, except for the deviation from code provision E.1.2 of the CG Code.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Due to other commitment, Mr. TIONG Kiu King, the Chairman of the Board, was unable to attend the annual general meeting of the Company held on 24th August 2010. In his absence, Mr. TIONG Kiew Chiong, the executive Director and Deputy Chairman of the Company attended and took the chair of the said annual general meeting and ensured that proceedings of the meeting were conducted in order. The Company considers that sufficient measures have been taken to ensure that Company’s corporate governance practices are no less exacting than those in the CG Code.

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 2010.

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 2010.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

By Order of the Board

TIONG Kiu King

Director

Hong Kong, 25th November 2010

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