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## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect about this Composite Document or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in NEW MEDIA GROUP HOLDINGS LIMITED, you should at once hand this Composite Document and the accompanying Form of Acceptance and Transfer to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for onward transmission to the purchaser(s) or the transferee(s).

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance and Transfer, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance and Transfer.

This Composite Document should be read in conjunction with the accompanying Form of Acceptance and Transfer, the contents of which form part of the terms and conditions of the Offer.

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**ACELIN GLOBAL LIMITED**  
(a company incorporated in the British Virgin Islands  
with limited liability)

### COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF ACELIN GLOBAL LIMITED FOR ALL THE ISSUED SHARES IN NEW MEDIA GROUP HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to  
Acelin Global Limited



Financial adviser to  
New Media Group Holdings Limited



Independent financial adviser to  
the Independent Board Committee of New Media Group Holdings Limited



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Capitalised terms used on this cover page shall have the same meanings as those defined in this Composite Document.

A letter from Somerley Capital containing, among other things, principal terms of the Offer is set out on pages 6 to 13 of this Composite Document.

A letter from the Board is set out on pages 14 to 18 of this Composite Document.

A letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Offer is set out on pages IBC-1 to IBC-2 of this Composite Document.

A letter from Messis Capital containing its advice to the Independent Board Committee in respect of the Offer is set out on pages IFA-1 to IFA-20 of this Composite Document.

The procedures for acceptance and other related information in respect of the Offer are set out in the Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer. Acceptance of the Offer should be received by the Registrar as soon as possible and in any event not later than 4:00 p.m. on Friday, 27 March 2015 (or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code).

Any persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance and Transfer to any jurisdiction outside of Hong Kong should read the section headed "Overseas Shareholders" in the "Letter from Somerley Capital" and Appendix I to this Composite Document before taking any action. It is the responsibility of Overseas Shareholders (if any) wishing to accept the Offer to satisfy themselves as to full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in connection with the acceptance of the Offer in respect of such jurisdictions. Overseas Shareholders (if any) are advised to seek professional advice on deciding whether to accept the Offer.

6 March 2015

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## EXPECTED TIMETABLE

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The timetable set out below is indicative only and is subject to change. Any changes to the timetable will be jointly announced by the Offeror and New Media.

Despatch date of this Composite Document and  
the Form of Acceptance and Transfer and  
commencement date of the Offer (*Note 1*) ..... Friday, 6 March 2015

Latest time and date for acceptance of the Offer  
(*Note 2*)..... 4:00 p.m. on Friday, 27 March 2015

Closing Date (*Note 2*) ..... Friday, 27 March 2015

Announcement of the results of the Offer (or its  
extension or revision, if any), to be posted on  
the website of the Stock Exchange (*Note 2*)..... no later than 7:00 p.m.  
on Friday, 27 March 2015

Latest date for posting of remittances in respect  
of valid acceptances received under the Offer  
(*Note 3*)..... Friday, 10 April 2015

*Notes:*

1. The Offer, which is unconditional, is made on the date of posting of this Composite Document, and is capable of acceptance on and from that date until the Closing Date.
2. The latest time and date for acceptance will be at 4:00 p.m. on Friday, 27 March 2015 unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. The Offeror and New Media will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on Friday, 27 March 2015 stating whether the Offer has been extended, revised or has closed for acceptance. In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Shares tendered under the Offer will be despatched to the Independent Shareholders accepting the Offer by ordinary post at their own risk as soon as possible, but in any event within seven Business Days after the date of receipt by the Registrar of a duly completed acceptance in accordance with the Takeovers Code.
4. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code. Please refer to paragraph 4 headed "Right of withdrawal" in Appendix I to this Composite Document for further information on the circumstances where acceptances may be withdrawn.
5. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:
  - (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will remain unchanged; or

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## EXPECTED TIMETABLE

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- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day, and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances will accordingly be rescheduled to the following Business Day.

Save as mentioned above, if the latest time for acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and New Media will notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as possible.

**All references to date and time contained in this Composite Document and the Form of Acceptance and Transfer refer to Hong Kong date and time.**

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## DEFINITIONS

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In this Composite Document, unless the context otherwise requires, the following terms have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement Date”	23 December 2014, the date of the Joint Announcement
“Board”	the board of Directors from time to time
“Business Day”	a day on which the Stock Exchange is open for the transaction of business
“BVI”	the British Virgin Islands
“Closing Date”	27 March 2015, the closing date of the Offer, or if the Offer is extended, any subsequent closing date as may be determined and announced jointly by Evergrande, the Offeror and New Media, with consent of the Executive, in accordance with the Takeovers Code
“Composite Document”	this composite offer and response document jointly issued by Evergrande, the Offeror and New Media, which sets out, among others, details of the Offer in accordance with the Takeovers Code
“Director(s)”	the director(s) of New Media from time to time
“Disposals”	the Property Disposal and the New Media 9.99% Share Disposal pursuant to the terms of the Property Disposal Agreement and New Media 9.99% Share Disposal Agreement respectively, which were completed on 27 February 2015
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Evergrande”	Evergrande Real Estate Group Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 3333)
“Evergrande Group”	Evergrande and its subsidiaries
“Form of Acceptance and Transfer”	the form of acceptance and transfer in respect of the Offer accompanying this Composite Document
“HK\$”	Hong Kong dollar(s)

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## DEFINITIONS

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“Holdco”	New Media Group Investment Limited, a company incorporated in BVI and a direct wholly-owned subsidiary of the Offeror as at the Latest Practicable Date
“Holdco Sale Share”	being one issued share of Holdco, representing the entire issued share capital of the Holdco as at the Latest Practicable Date
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser”/ “Messis Capital”	Messis Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Offer
“Independent Board Committee”	the independent committee of the Board comprising all the non-executive Directors established to advise the Independent Shareholders in respect of the terms of the Offer
“Independent Shareholders”	Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement jointly published by Evergrande, the Offeror and New Media dated 23 December 2014 in relation to, among other things, the sale and purchase of the New Media Sale Shares and the Offer
“Last Trading Day”	24 November 2014, being the last trading day of the Shares immediately prior to the suspension in trading on the Stock Exchange pending the release of the Joint Announcement
“Latest Practicable Date”	3 March 2015, being the latest practicable date prior to the printing of this Composite Document for ascertaining certain information contained herein
“Leaseback”	the lease of the Property by Winning Treasure Limited (a direct wholly-owned subsidiary of Jade Talent Holdings Limited, which was wholly-owned by Emperor International Holdings Limited as at the Latest Practicable Date) as lessor to New Media Group Publishing Limited pursuant to a tenancy agreement dated 23 January 2015, the term of which commenced on 27 February 2015
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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## DEFINITIONS

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“New Media”	New Media Group Holdings Limited, a company incorporated in Hong Kong, the Shares of which are listed on the main board of the Stock Exchange (stock code: 708)
“New Media 9.99% Share Disposal”	the sale of 9.99% of the issued share capital of New Media Group by Right Bliss Limited (a wholly-owned subsidiary of New Media as at the Latest Practicable Date) to Rawlings Limited (a wholly-owned subsidiary of the Selling Shareholder as at the Latest Practicable Date) pursuant to the New Media 9.99% Share Disposal Agreement
“New Media 9.99% Share Disposal Agreement”	the agreement dated 23 December 2014 between Right Bliss Limited and Rawlings Limited in relation to the sale and purchase of 999 shares of New Media Group, representing 9.99% of its issued share capital as at the Latest Practicable Date
“New Media Group”	New Media Group Limited (formerly known as New Media Enterprise Investment Limited), a company incorporated in BVI
“New Media Sale Shares”	being 647,950,000 issued Shares, representing approximately 74.99% of the total issued Shares as at the Latest Practicable Date
“NMG Group”	New Media and its subsidiaries as from time to time
“Offer”	the mandatory unconditional cash offer being made by Somerley Capital on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code
“Offer Period”	commencing from 14 November 2014, being the date of the Rule 3.7 Announcement and ending on the Closing Date or such other date or date to which the Offeror may decide to extend or revise the Offer in accordance with the Takeovers Code
“Offer Price”	HK\$1.467 per Offer Share
“Offer Share(s)”	Share(s) not already owned or agreed to be acquired by the Offeror or parties acting in concert with it
“Offeror”	Acelin Global Limited, a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of Evergrande

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## DEFINITIONS

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“Overseas Shareholder(s)”	(if any) Shareholder(s) whose address(es) as stated in the register of members of New Media is or are outside Hong Kong
“PRC”	the People’s Republic of China excluding, for the purpose of this Composite Document, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property”	the building located at Kwun Tong Inland Lot No. 646, No. 82 Hung To Road, Kowloon, Hong Kong
“Property Disposal”	the disposal of the entire issued share capital of Jade Talent Holdings Limited (a company incorporated in BVI) which holds the entire issued share capital of Winning Treasure Limited (which in turn holds the Property as at the Latest Practicable Date and is a direct wholly-owned subsidiary of the Jade Talent Holdings Limited), and the shareholder’s loan due from Jade Talent Holdings Limited to New Media Group as at the date of completion of the Property Disposal Agreement
“Property Disposal Agreement”	the sale and purchase agreement dated 23 December 2014 entered into between New Media Group as vendor and Good Force Investments Limited (a wholly-owned subsidiary of Emperor International Holdings Limited) as purchaser in relation the Property Disposal
“Registrar”	Tricor Secretaries Limited, the Hong Kong share registrar and transfer office of New Media, with its address at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on 14 May 2014, being the date falling six months before the date of the Rule 3.7 Announcement up to and including the Latest Practicable Date
“Remaining Group”	the NMG Group immediately after completion of the Disposals
“Rule 3.7 Announcement”	the announcement dated 14 November 2014 jointly made by Evergrande and New Media
“Selling Shareholder”	Albert Yeung Holdings Limited, a company incorporated in BVI
“SFC”	the Securities and Futures Commission of Hong Kong



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## DEFINITIONS

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“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of New Media
“Share Purchase”	the purchase of the Holdco Sale Share by the Offeror from the Selling Shareholder in accordance with the terms and conditions of the Share Purchase Agreement
“Share Purchase Agreement”	the sale and purchase agreement dated 25 November 2014 (as supplemented on 23 December 2014) between the Selling Shareholder, the Offeror and Evergrande in relation to the sale and purchase of Holdco Sale Share
“Share Purchase Completion”	completion of the transactions under the Share Purchase Agreement which took place on 27 February 2015
“Shareholder(s)”	holder(s) of Share(s)
“Somerley Capital”	Somerley Capital Limited, a corporation licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and the financial adviser to the Offeror in respect of the Offer
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong issued by the SFC
“TDR(s)”	the Taiwan depositary receipts of the New Media listed on the Taiwan Stock Exchange
“%”	per cent.

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## LETTER FROM SOMERLEY CAPITAL

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**SOMERLEY CAPITAL LIMITED**

20th Floor

China Building

29 Queen's Road Central

Hong Kong

6 March 2015

*To the Independent Shareholders*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF  
ACELIN GLOBAL LIMITED FOR ALL THE ISSUED SHARES IN  
NEW MEDIA GROUP HOLDINGS LIMITED (OTHER THAN THOSE  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

It was announced in the Joint Announcement that on 23 December 2014, Evergrande, the Offeror and the Selling Shareholder entered into the Share Purchase Agreement (as supplemented on 23 December 2014), pursuant to which the Offeror had conditionally agreed to purchase, and the Selling Shareholder had conditionally agreed to sell, the total issued share capital of the Holdco which is the beneficial owner of all the New Media Sale Shares, being 647,950,000 Shares, representing approximately 74.99% of the total issued Shares as at the date of the Share Purchase Agreement at an aggregate consideration of HK\$950,000,000 (equivalent to approximately HK\$1.466 per New Media Sale Share), which was agreed between Evergrande, the Offeror and the Selling Shareholder after arm's length negotiations. The New Media Sale Shares represent (i) all the New Media Sale Shares then held by the Selling Shareholder; and (ii) approximately 74.99% of the existing issued share capital of New Media as at the date of the Share Purchase Agreement.

Share Purchase Completion took place on 27 February 2015, which was jointly announced on the same day by Evergrande, the Offeror and New Media. The aggregate consideration for the Holdco Sale Share of HK\$950,000,000 had been fully paid by the Offeror to the Selling Shareholder.

Upon Share Purchase Completion, the Offeror became the owner of approximately 74.99% of the issued share capital of New Media and, accordingly, the Offeror is required to make the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code. Somerley Capital, on behalf of the Offeror, is making the Offer.

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## LETTER FROM SOMERLEY CAPITAL

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Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising Ms. Hui Wai Man, Shirley, Ms. Kwan Shin Luen, Susanna and Ms. Chan Sim Ling, Irene (all of whom are non-executive Directors), has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance.

As disclosed in the Joint Announcement, Messis Capital has been appointed (with approval of the Independent Board Committee) as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offer.

This letter sets out, among other things, the principal terms of the Offer, the information on the Offeror and the Offeror's intentions regarding the Remaining Group. Further details of the Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer. Your attention is also drawn to the "Letter from the Board", the "Letter from the Independent Board Committee" containing their recommendation to the Independent Shareholders in respect of the Offer, and the "Letter from Messis Capital" containing its recommendation to the Independent Board Committee in respect of the Offer in this Composite Document.

### THE OFFER

#### Principal terms of the Offer

Somerley Capital is making, on behalf of the Offeror and in compliance with the Takeovers Code, the Offer on the terms set out in this Composite Document on the following basis:

For every Offer Share . . . . .HK\$1.467 in cash

The Offer Price of HK\$1.467 per Offer Share under the Offer is determined with reference to the purchase price per New Media Sale Share held by the Holdco under the Share Purchase Agreement.

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number of Shares or any other conditions.

The Shares to be acquired under the Offer will be fully paid, free from all liens, charges and encumbrances.

#### Value of the Offer

As at the Latest Practicable Date, New Media has a total of 864,000,000 Shares in issue of which 20,435,000 Shares are represented by the TDRs listed on the Taiwan Stock Exchange. As at the Latest Practicable Date, New Media has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of New Media.

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## LETTER FROM SOMERLEY CAPITAL

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Immediately upon Share Purchase Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it are interested in a total of 647,950,000 Shares, representing approximately 74.99% of the issued share capital of the New Media. On the basis of the foregoing, 216,050,000 Shares are subject to the Offer and are valued at approximately HK\$316.9 million in aggregate based on the Offer Price.

### Offer Price

The Offer Price of HK\$1.467 per Offer Share represents:

- (i) a discount of approximately 60.56% to the closing price of HK\$3.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 67.40% to the closing price of approximately HK\$4.50 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 59.70% to the average closing price of approximately HK\$3.64 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (iv) a discount of approximately 31.45% to the average closing price of approximately HK\$2.14 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (v) a premium of approximately 208.84% over the closing price of approximately HK\$0.475 per Share as quoted on the Stock Exchange on 13 November 2014, being the last business day (as defined in the Takeovers Code) prior to the commencement of the Offer Period; and
- (vi) a premium of approximately 177.84% over the audited consolidated net asset value of the NMG Group of approximately HK\$0.528 per Share as at 30 June 2014, based on a total of 864,000,000 Shares in issue as at the Announcement Date and the audited consolidated net asset value of the NMG Group of approximately HK\$456,060,000 as at 30 June 2014.

### Highest and Lowest Share Prices

For details of the highest and lowest prices of the Shares during the Relevant Period, please refer to the section headed “5. Market Prices” in Appendix III to this Composite Document.

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## LETTER FROM SOMERLEY CAPITAL

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### **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) following the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid.

### **Effect of Accepting the Offer**

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from any liens, charges and encumbrance and together with all rights attached to them, including the right to receive all dividends and distributions declared, made or paid on or after the date of this Composite Document in relation to the Offer. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### **Overseas Shareholders**

The making of the Offer to a person with a registered address in a jurisdiction outside Hong Kong may be affected by the applicable laws of the relevant jurisdiction. Any Shareholders with registered addresses in jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Shareholders in respect of such jurisdictions).

Subject to applicable laws, the Offer will be indirectly extended to the holders of TDR through the custodian bank (which holds the Shares represented by the TDR from time to time as custodian) and the TDR depository in Taiwan. The TDR holders may, subject to applicable laws, instruct the TDR depository and the custodian bank to sell the Shares represented by their TDRs under the Offer through the mechanism (and within the time limit) to be disclosed by New Media and the Taiwan depository on the website of Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>) maintained by the Taiwan Stock Exchange. The Offeror intends to maintain the listing of the TDRs immediately after the close of the Offer so long as any TDRs are then outstanding. After the close of the Offer, the Offeror may, depending on the circumstances, re-evaluate the necessity of the listing of the TDRs, subject to applicable laws and regulations.

### **Hong Kong stamp duty**

In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by the relevant Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, and will be deducted from the cash amount payable by the Offeror to the relevant Shareholders accepting the Offer. The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of the relevant Shareholders accepting the Offer and will

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## LETTER FROM SOMERLEY CAPITAL

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pay the buyer's ad valorem stamp duty in connection with the acceptance of the Offer and the transfer of the Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).

### **Dealing and interests in New Media's securities**

Save for the entering into of the Share Purchase Agreement, none of the Offeror and parties acting in concert with it has dealt in the Shares, options, derivatives, warrants or other securities convertible or exchangeable into Shares during the Relevant Period.

### **INFORMATION OF THE OFFEROR AND EVERGRANDE**

The Offeror is an investment holding company incorporated in BVI and is an indirect wholly-owned subsidiary of Evergrande as at the Latest Practicable Date. As at the Latest Practicable Date, save for entering into the Share Purchase Agreement and the transactions contemplated thereunder, the Offeror has not conducted any material business since its incorporation. As at the Latest Practicable Date, Mr. Huang Xiangui is the sole director of the Offeror.

Evergrande is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3333). The Evergrande Group is principally engaged in the property development, property investment, property management, property construction, hotel and other businesses in the PRC.

As at the Latest Practicable Date, the executive directors of Evergrande are Mr. Hui Ka Yan, Mr. Xia Haijun, Ms. He Miaoling, Mr. Tse Wai Wah, Mr. Xu Wen and Mr. Huang Xiangui, and the independent non-executive directors of Evergrande are Mr. Chau Shing Yim, David, Mr. He Qi and Ms. Xie Hongxi.

### **INFORMATION OF THE HOLDCO AND NEW MEDIA**

The Holdco was incorporated in BVI and is a direct wholly-owned subsidiary of the Offeror as at the Latest Practicable Date. As at the Latest Practicable Date, the principal activity of the Holdco is investment holding and, save for the Holdco's beneficial interests in 647,950,000 Shares, representing approximately 74.99% of the total issued shares of New Media as at the Latest Practicable Date, the Holdco has no other material assets and has not carried out other significant business activities since its incorporation.

The principal activity of New Media is investment holding. The subsidiaries of New Media are principally engaged in media and publishing businesses in Hong Kong and the PRC.

### **FINANCIAL RESOURCES AVAILABLE FOR THE OFFEROR**

The Offeror intends to finance the consideration payable by the Offeror under the Offer by its internal resources. Somerley Capital, being the financial adviser to the Offeror in respect of the Offer, is satisfied that sufficient financial resources are, and will remain, available to the Offeror to satisfy the amount of funds required for the full acceptance of the Offer.

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## LETTER FROM SOMERLEY CAPITAL

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### OFFEROR'S INTENTION ON NEW MEDIA

Evergrande considers that the Share Purchase and the Offer provide an opportunity for it to invest in the media and publishing business in Hong Kong and the PRC, and another listed platform to gain access to the capital market for its business development as and when appropriate.

The Offeror intends to continue the principal business of the Remaining Group, which comprises of the media and publishing businesses in Hong Kong and the PRC immediately upon the Share Purchase Completion.

The Offeror also intends to diversify the businesses of the Remaining Group to include the possible investment in cosmetic surgery, beauty treatment and healthcare related businesses in the PRC, which may include (but not limited to) the entering into cooperative arrangement(s) in relation to the setting up of a hospital providing general healthcare and medical services and a plastic surgery hospital in the PRC. The Offeror will, following the completion of the Offer, conduct a detailed review of the business operations and financial position of NMG Group for the purpose of developing more detailed and sustainable business plan or strategy for the Remaining Group, and explore other business or investment opportunities for enhancing its future development. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider further diversifying the business of the Remaining Group which may or may not involve adjustment(s) to the application of the proceeds from the Disposals as set out in the section headed "Reason and use of proceed for the Disposals" in New Media's circular dated 29 January 2015 in relation to, among others, the Disposals. However, as of the Latest Practicable Date, no agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the Remaining Group had been entered into by the Offeror.

The Offeror has no intention to terminate any employment of the employees of the Remaining Group or to make significant changes to any employment (except for the proposed change of Board composition as detailed in the section headed "Proposed change to the Board composition of New Media" below) or to dispose of or re-allocate the Remaining Group's assets which are not in the ordinary and usual course of business of the Remaining Group.

As disclosed in New Media's announcement dated 27 February 2015, it is proposed that the company name of New Media will be changed to "Evergrande Health Industry Group Limited 恒大健康產業集團有限公司", subject to (i) the passing of a special resolution by the Shareholders at the general meeting of New Media; and (ii) the approval of the Registrar of Companies of Hong Kong.

### PROPOSED CHANGE TO THE BOARD COMPOSITION OF NEW MEDIA

The Offeror intends to nominate new Directors to the Board with effect from the Closing Date. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate.

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## LETTER FROM SOMERLEY CAPITAL

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### **PUBLIC FLOAT AND MAINTAINING THE LISTING STATUS OF NEW MEDIA**

The Offeror intends New Media to remain listed on the Stock Exchange after the close of the Offer and the director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists in the Shares. New Media and the Offeror will issue a separate announcement as and when necessary regarding the decision of any such placing down if the circumstances warrant.

**The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to New Media, being 25%, of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) that there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.**

### **COMPULSORY ACQUISITION**

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer.

### **ACCEPTANCE AND SETTLEMENT**

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer.

### **TAXATION ADVICE**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, Evergrande and Somerley Capital and their respective ultimate beneficial owners, directors, officers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

### **GENERAL**

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Offer Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the name of nominees to provide instructions to their nominees of their intention with regard to the Offer.

Attention of the Overseas Shareholders is drawn to the paragraph headed "Overseas Shareholders" above in this letter.



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## LETTER FROM SOMERLEY CAPITAL

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All documents and remittance to be sent to the Independent Shareholders will be sent to them by ordinary post at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of member of New Media or in the case of joint Independent Shareholders, to such Independent Shareholder whose name appears first in the register of members of New Media. The Offeror, its beneficial owner and parties acting in concert with any of them, New Media, Somerley Capital, Messis Capital, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Offer or any of their respective agents will not be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof or in connection therewith.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in appendices to this Composite Document which form part of this Composite Document.

You are reminded to carefully read the “Letter from the Board”, the “Letter from the Independent Board Committee”, the “Letter from Messis Capital” and other information about NMG Group which are set out in this Composite Document before deciding whether or not to accept the Offer.

Yours faithfully,  
For and on behalf of  
**Somerley Capital Limited**  
**M.N. Sabine**  
*Chairman*

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LETTER FROM THE BOARD

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新傳媒集團控股有限公司  
**NEW MEDIA GROUP HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 708)**

*Executive Directors:*

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

*Registered office:*

Suites 1501–1507  
One Pacific Place  
88 Queensway  
Hong Kong

*Independent Non-executive Directors:*

Ms. Hui Wai Man, Shirley  
Ms. Kwan Shin Luen, Susanna  
Ms. Chan Sim Ling, Irene

6 March 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF  
ACELIN GLOBAL LIMITED FOR ALL THE ISSUED SHARES IN  
NEW MEDIA GROUP HOLDINGS LIMITED (OTHER THAN THOSE  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

**INTRODUCTION**

Evergrande, New Media and the Offeror jointly announced on 23 December 2014, among other things, that the Selling Shareholder, the Offeror and Evergrande entered into the Share Purchase Agreement on 25 November 2014 (as supplemented on 23 December 2014), pursuant to which the Selling Shareholder has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase, the total issued share capital of Holdco which is the beneficial owner of all the New Media Sale Shares, being 647,950,000 Shares, representing approximately 74.99% of the total issued Shares as at the date of the Share Purchase Agreement at an aggregate consideration of HK\$950,000,000 (equivalent to approximately HK\$1.466 per New Media Sale Share), which was agreed between the Selling Shareholder, the Offeror and Evergrande after arm's length negotiations.

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## LETTER FROM THE BOARD

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The Share Purchase Completion took place on 27 February 2015. The aggregate consideration for the Holdco Sale Share of HK\$950,000,000 had been fully paid by the Offeror to the Selling Shareholder.

The Share Purchase Completion, the completion of the Disposals took place on 27 February 2015, and the Leaseback became effective on 27 February 2015 for a term of 3 years. Immediately following the Share Purchase Completion, the Offeror became interested in 647,950,000 Shares, representing approximately 74.99% of the entire issued Shares of New Media as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Somerley Capital, on behalf of the Offeror, is making the Offer.

Pursuant to Rule 2.1 and Rule 2.8 of the Takeovers Code, the Independent Board Committee, comprising Ms. Hui Wai Man, Shirley, Ms. Kwan Shin Luen, Susanna and Ms. Chan Sim Ling, Irene (all of whom are non-executive Directors) has been formed to advise the Independent Shareholders as to whether the terms of the Offer are fair and reasonable and as to the acceptance.

As disclosed in the Joint Announcement, Messis Capital has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offer.

The purpose of this Composite Document is to provide you with, among other things, (i) information relating to the Offeror, the Offer and the NMG Group; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from Messis Capital to the Independent Board Committee in relation to the Offer.

### **THE OFFER**

The terms of the Offer summarised below are set out in detail in the letter from Somerley Capital contained in this Composite Document and Appendix I to this Composite Document as well as the Form of Acceptance and Transfer. You are recommended to refer to them for further details.

#### **Principal terms of the Offer**

According to the letter from Somerley Capital contained in this Composite Document, Somerley Capital, on behalf of the Offeror, is making the Offer in compliance with the Takeovers Code on the following basis:

For every Offer Share..... HK\$1.467 in cash

The Offer Price of HK\$1.467 per Offer Share under the Offer is equal to the price per Sale Share paid by the Offeror under the Share Purchase Agreement.

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## LETTER FROM THE BOARD

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### Effects of accepting the Offer

By accepting the Offer, the relevant Shareholders will sell their Shares to the Offeror free from any liens, charges and encumbrance and together with all rights attached to them, including the right to receive all dividends and distributions declared, made or paid on or after the date of this Composite Document in relation to the Offer. Acceptances of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

### SHAREHOLDING STRUCTURE OF NEW MEDIA

The following table sets out the shareholding structure of New Media (i) immediately before the Share Purchase Completion and (ii) immediately after the Share Purchase Completion and as at the Latest Practicable Date:

	Immediately before the Share Purchase Completion		Immediately after the Share Purchase Completion and as at the Latest Practicable Date	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
The Offeror	—	—	647,950,000	74.99
Selling Shareholder ( <i>Note</i> )	<u>647,950,000</u>	<u>74.99</u>	<u>—</u>	<u>—</u>
Sub-total of the Offeror and parties acting in concert with it ( <i>Note</i> )	647,950,000	74.99	647,950,000	74.99
Public Shareholders	<u>216,050,000</u>	<u>25.01</u>	<u>216,050,000</u>	<u>25.01</u>
Total	<u>864,000,000</u>	<u>100.00</u>	<u>864,000,000</u>	<u>100.00</u>

*Note:* As mentioned in the announcement jointly issued by Evergrande, the Offeror and New Media dated 27 February 2015, the Selling Shareholder was presumed to be acting in concert with the Offeror as the Offeror would be indebted to the Selling Shareholder if the consideration for the Holdco Sale Share has not been paid in full upon the Share Purchase Completion pursuant to the terms of the Share Purchase Agreement. As the aggregate consideration for the Holdco Sale Share was fully paid by the Offeror upon the Share Purchase Completion, the Selling Shareholder is no longer presumed to be acting in concert with the Offeror after the Share Purchase Completion.

### INFORMATION OF THE HOLDCO AND NEW MEDIA

The Holdco was incorporated in BVI and is a direct wholly-owned subsidiary of the Offeror. The principal activity of the Holdco is investment holding. Save for the Holdco's beneficial interests in 647,950,000 Shares, representing approximately 74.99% of the total issued shares of New Media as at the Latest Practicable Date, the Holdco has no other material assets and has not carried out other significant business activities since its incorporation.

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## LETTER FROM THE BOARD

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The principal activity of New Media is investment holding. The subsidiaries of New Media are principally engaged in media and publishing businesses in Hong Kong and the PRC.

A summary of the audited consolidated results of NMG Group for each of the three financial years ended 30 June 2014, and the unaudited financial results of NMG Group for the six months ended 31 December 2014 are set out in Appendix II to this Composite Document.

### **INFORMATION ON THE OFFEROR AND ITS INTENTION REGARDING THE REMAINING GROUP**

Your attention is drawn to the letter from Somerley Capital in this Composite Document for the information on the Offeror and its intention regarding the Remaining Group. In particular, as stated in the letter from Somerley Capital, the Offeror intends New Media to remain listed on the Stock Exchange after the close of the Offer. The director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps as soon as possible following the close of the Offer to ensure that sufficient public float exists in the Shares.

**The Stock Exchange has stated that if, at the close of the Offer, less than the minimum prescribed percentage applicable to New Media, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend dealings in the Shares.**

The Board is also aware of the Offeror's intention in relation to the Remaining Group and its employees, and is willing to render co-operation with the Offeror and would continue to act in the best interests of the Remaining Group and the Shareholders as a whole.

As disclosed in New Media's announcement dated 27 February 2015, it is proposed that the company name of New Media will be changed to "Evergrande Health Industry Group Limited 恒大健康產業集團有限公司", subject to (i) the passing of a special resolution by the Shareholders at the general meeting of New Media; and (ii) the approval of the Registrar of Companies of Hong Kong.

### **RECOMMENDATION**

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Hui Wan Man, Shirley, Ms. Kwan Shin Luen, Susanna and Ms. Chan Sim Ling, Irene, has been constituted to give recommendation to the Independent Shareholders in relation to the Offer. Messis Capital has been appointed by New Media after approval by the Independent Board Committee as the independent financial adviser to advise the Independent Board Committee in respect of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to its acceptance.

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## LETTER FROM THE BOARD

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Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages IBC-1 to IBC-2 of this Composite Document and the letter of advice from Messis Capital set out on pages IFA-1 to IFA-20 of this Composite Document, which contains, among other things, its advice to the Independent Board Committee in relation to the Offer and the principal factors considered by it in arriving at its recommendation.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the letter from Somerley Capital set out in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance and Transfer which contain further details of the Offer and the procedures for acceptance of the Offer. Your attention is also drawn to the additional information set out in the appendices to this Composite Document.

Yours faithfully,  
For and on behalf of the Board  
**New Media Group Holdings Limited**  
**Percy Hughes, Shirley**  
*Executive Director & Chief Executive Officer*



新傳媒集團控股有限公司  
**NEW MEDIA GROUP HOLDINGS LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 708)**

6 March 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
SOMERLEY CAPITAL LIMITED FOR AND ON BEHALF OF  
ACELIN GLOBAL LIMITED FOR ALL THE ISSUED SHARES IN  
NEW MEDIA GROUP HOLDINGS LIMITED (OTHER THAN THOSE  
ALREADY OWNED OR AGREED TO BE ACQUIRED BY THE OFFEROR AND  
PARTIES ACTING IN CONCERT WITH IT)**

We refer to the Composite Document dated 6 March 2015 jointly issued by Evergrande, New Media and the Offeror, of which this letter forms part. Terms defined in the Composite Document shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed to constitute the Independent Board Committee to consider the terms of the Offer and to advise you as to whether, in our opinion, the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to its acceptance. Messis Capital has been appointed as the independent financial adviser to advise us in this respect. Details of its advice and the principal factors and reasons taken into consideration in arriving at its advice are set out in the letter from Messis Capital set out on pages IFA-1 to IFA-20 of the Composite Document.

We also wish to draw your attention to the letter from the Board, the letter from Somerley Capital and the additional information set out in the appendices to the Composite Document.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Taking into account the terms of the Offer and the independent advice from Messis Capital, we consider that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Offer. Independent Shareholders are recommended to read the full text of the letter from Messis set out in the Composite Document.

Yours faithfully

For and on behalf of

**Independent Board Committee**

**Ms. Hui Wai Man, Shirley**

*Independent*

*non-executive Director*

**Ms. Kwan Shin Luen, Susanna**

*Independent*

*non-executive Director*

**Ms. Chan Sim Ling, Irene**

*Independent*

*non-executive Director*



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this Composite Document.*



**大有融資有限公司**  
**MESSIS CAPITAL LIMITED**

6 March 2015

*To: The Independent Board Committee and the Independent Shareholders  
of New Media Group Holdings Limited*

Dear Sir/Madam,

**UNCONDITIONAL MANDATORY CASH OFFER BY  
SOMERLEY CAPITAL LIMITED  
FOR AND ON BEHALF OF  
ACELIN GLOBAL LIMITED  
FOR ALL THE ISSUED SHARES IN  
NEW MEDIA GROUP HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED TO BE ACQUIRED BY  
ACELIN GLOBAL LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT)**

### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Offer, details of which are set out in the composite offer and response document of New Media dated 6 March 2015 to the Shareholders (the “Composite Document”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

On 23 December 2014, Evergrande and New Media jointly announced that, among other things, the Selling Shareholder, the Offeror and Evergrande entered into the Share Purchase Agreement on 25 November 2014 (as supplemented on 23 December 2014), pursuant to which the Selling Shareholder has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase, the total issued share capital of the Holdco which is the beneficial owner of all New Media Sale Shares, being 647,950,000 Shares, representing approximately 74.99% of the total issued Shares as at the date of the Share Purchase Agreement at an aggregate consideration of HK\$950,000,000 (equivalent to approximately HK\$1.466 per New Media Sale Share), which was agreed between the Selling Shareholder, the Offeror and Evergrande after arm’s length negotiations.

Upon completion of the Share Purchase Agreement on 27 February 2015, the Offeror and parties acting in concert with it were interested in a total of 647,950,000 Shares, representing approximately 74.99% of the entire issued share capital of New Media as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it). The principal terms of the Offer are set out under the section headed “The Offer” in the “Letter from Somerley Capital” of the Composite Document. Somerley Capital is making the Offer for and on behalf of the Offeror.

An Independent Board Committee comprising all non-executive Directors, namely, Ms. Hui Wai Man, Shirley, Ms. Kwan Shin Luen, Susanna and Ms. Chan Sim Ling, Irene has been established for the purpose of, among other things, advising the Independent Shareholders in relation to the Offer.

We are appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Offer is on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) whether the Offer should be accepted. Our appointment has been approved by the Independent Board Committee.

### **OUR INDEPENDENCE**

As at the Latest Practicable Date, we did not have any relationship with or interest in New Media or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from New Media or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### **BASIS OF OUR OPINION AND RECOMMENDATION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the representations made to us by the Directors and the senior management of New Media. We have assumed that all statements, information and representations provided by the Directors and the management of New Media, for which they are solely responsible, are true and accurate at the time when they were provided and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by New Media, its advisers and/or the Directors, which have been provided to us.

The information contained herein relating to Evergrande and the Offeror, the terms of the Offer and the intentions of the Offeror in respect of the Remaining Group have been supplied by the directors of Evergrande and the Offeror, who jointly and severally accept full responsibility for

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the accuracy of the information contained in this Composite Document relating to Evergrande, the Offeror, the terms and conditions of the Offer and the intentions of the Offeror in respect of the Remaining Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by NMG Group, the Selling Shareholder and parties acting in concert with any of them have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

The information contained herein, other than information relating to Evergrande, the Offeror, the terms of the Offer and intentions of the Offeror in respect of the Remaining Group, has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

We consider that we have been provided with sufficient information and have taken sufficient and reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the business and affairs of the NMG Group. We have not considered the taxation implication on the NMG Group or the Shareholders as a result of the Offer. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Should there be any subsequent material changes in such information, the Company should inform the Shareholders as soon as practicable in accordance with Rule 9.1 of the Takeovers Code. The Independent Shareholders will also be notified of any material changes to such information provided in the Composite Document and our opinion as soon as possible after the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of New Media. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Offer, we have considered the principal factors and reasons as set out below:

#### **1. Background of the Offer**

On 25 November 2014, the Selling Shareholder, the Offeror and Evergrande entered into the Share Purchase Agreement (as supplemented on 23 December 2014), pursuant to which the Selling Shareholder has conditionally agreed to sell, and the Offeror has conditionally agreed to purchase, the total issued share capital of the Holdco which is the beneficial owner of all New Media Sale Shares, being 647,950,000 Shares, representing approximately 74.99% of the total issued Shares as at the Latest Practicable Date at an aggregate consideration of HK\$950,000,000 (equivalent to approximately HK\$1.466 per New Media Sale Share).

Upon completion of the Share Purchase Agreement on 27 February 2015, the Selling Shareholder no longer held, whether directly or indirectly, any Shares while the Offeror and parties acting in concert with it were interested in a total of 647,950,000 Shares, representing approximately 74.99% of the entire issued share capital of New Media as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make an unconditional mandatory cash offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it).

As at the Latest Practicable Date, there were 864,000,000 Shares in issue. Excluding the 647,950,000 Shares which are owned by the Offeror and parties acting in concert with it, there will be 216,050,000 Shares representing approximately 25.01% of the total issued Shares as at the Latest Practicable Date, which are subject to the Offer. The Offer is valued at HK\$316,945,350 based on the offer price of HK\$1.467 per Share. As at the Latest Practicable Date, New Media does not have any outstanding options, derivatives or warrants which are convertible into or which confers rights to require the issue of Shares or other securities carrying conversion rights or subscription rights into Shares.

#### **2. Background information of the NMG Group**

##### **(a) *Principal business***

New Media is an investment holding company and its subsidiaries are principally engaged in Hong Kong in (i) the publication and marketing of Chinese-language weekly magazines and books; and (ii) the sale of advertising spaces in the magazines and books published by the NMG Group.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**(b) Historical financial information**

A summary of the audited consolidated financial results of the NMG Group for the three financial years ended 30 June 2014 as extracted from the annual reports of New Media for the financial year ended 30 June 2013 (the “Annual Report 2012/13”) and 30 June 2014 (the “Annual Report 2013/14”) and interim results of the NMG Group for the 6 months ended 31 December 2013 and 31 December 2014 as extracted from the interim results announcement of New Media for the period ended 31 December 2014 (the “Interim Results”) are as below.

**Table 1: Consolidated income statement of the NMG Group**

	For the year ended 30 June			For the 6 months ended	
	2014	2013	2012	31 December	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Turnover					
— Advertising income	363,330	390,587	382,944	174,516	208,437
— Circulation income	73,432	89,648	108,457	36,617	38,538
— Digital business income	16,711	12,816	11,748	9,815	8,627
— Provision of magazine content	2,151	2,146	1,691	1,117	1,367
Total Turnover	455,624	495,197	504,840	222,065	256,969
Gross Profit	155,733	162,063	163,674	74,525	91,650
Profit attributable to owners of New Media	11,019	22,275	29,654	2,970	17,266

**Table 2: Consolidated statement of financial position of the NMG Group**

	As at 30 June			As at 31
	2014	2013	2012	December
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	320,084	332,101	344,122	310,554
Current assets	192,154	182,497	221,692	203,952
Current liabilities	(53,603)	(60,803)	(128,086)	54,678
Net current assets	138,551	121,694	93,606	149,274
Net asset attributable to owners of New Media	456,060	450,657	434,862	457,907

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial year ended 30 June 2013 vs financial year ended 30 June 2012*

For the year ended 30 June 2013, the turnover slightly decreased by approximately 1.91% to approximately HK\$495.20 million, down from that of approximately HK\$504.84 million of the prior financial year. The decrease in turnover was mainly due to decrease in circulation income which represents sales of magazines and books, down from that of approximately HK\$108.46 million for the prior financial year to approximately HK\$89.65 million. According to the Annual Report 2012/2013, as a result of the rapid changes in the publishing industry towards digital and social media platforms, contribution from circulation income generated from physical distribution of magazines and books has declined, offsetting increase in contribution from digital business of approximately 9.09% as compared with the prior financial year. Profit attributable to owners of New Media for the year ended 30 June 2013 decreased by approximately 24.88% to approximately HK\$22.28 million, down from that of HK\$29.65 million of the prior financial year. The decrease in profit was primarily attributable to (i) increase in administrative expenses due to increased depreciation expense after the relocation to new office premises; and (ii) increase in staff costs.

As at 30 June 2013, the NMG Group recorded net current assets and net assets attributable to owners of New Media of approximately HK\$121.69 million and HK\$450.66 million, respectively.

### *Financial year ended 30 June 2014 vs financial year ended 30 June 2013*

For the year ended 30 June 2014, the turnover decreased by approximately 7.99% to approximately HK\$455.62 million, down from that of approximately HK\$495.20 million of the prior financial year. The decrease in turnover was mainly attributable to decrease in advertising income, down from HK\$390.59 million of the prior financial year to HK\$363.33 million, due to general slowdown in consumption which resulted in marketers pulling back on their advertising spending. Profit attributable to owners of New Media for the year ended 30 June 2014 decreased by approximately 50.53% to approximately HK\$11.02 million, down from that of HK\$22.28 million of the prior financial year. The decrease in profit was primarily attributable to (i) decrease in turnover; and (ii) increase in administrative expenses due to increases in both staff costs and depreciation expenses mainly resulting from the expansion of digital business that leads to new recruitment and installation of equipment.

As at 30 June 2014, the NMG Group recorded net current assets and net assets attributable to owners of New Media of approximately HK\$138.55 million and HK\$456.06 million, respectively.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Financial period for the six months ended 31 December 2014 vs financial period for the six months ended 31 December 2013*

As per the Interim Results, the NMG Group continues to record a decrease in turnover as compared with the corresponding period in the previous year. Turnover has decreased from approximately HK\$256.97 million to HK\$222.07 million, representing a drop of around 13.58%. This decrease in turnover is primarily attributable to the decrease in advertising income resulted from shifting of advertising spending from traditional media to digital media and a general pull back on spending by marketers due to the slowdown in China's economic growth and tourist spending. On the contrary, digital business income has increased remarkably by 13.77%, from HK\$8.63 million to HK\$9.82 million, indicating a response from marketers to the change of consumer behaviours from traditional media to digital media. Despite a decrease in turnover as compared with the corresponding period in the previous year, the NMG Group continues to increase administrative expense on new recruitment for the expansion of digital business. This leads to a decrease in gross profit and profit attributable to owners of New Media.

As at 31 December 2014, the NMG Group recorded net current assets and net assets attributable to owners of New Media of approximately HK\$149.27 million and HK\$457.91 million, respectively.

### **3. Prospect and outlook of the NMG Group**

The NMG Group is principally engaged in Hong Kong in (i) the publication and marketing of Chinese-language weekly magazines and books; and (ii) the sale of advertising spaces in the magazines and books published by NMG Group. In recent years, the NMG Group has expanded from traditional publishing business to digital business, grasping the opportunities from rise of digital platforms and merging of offline and online media in this new age. Different brands in the NMG Group have developed and launched their own digital platforms in the form of e-magazines and mobile and tablet apps. Turnover generated by digital business sector of the NMG Group has increased from HK\$11,748,000 in 2012 to HK\$16,711,000 in 2014, representing a remarkable growth of approximately 42.25% in two years.

However, in respect of the advertising sector which constitutes over 75% of the NMG Group's total turnover for the three financial years ended 30 June 2014, performance of which has been affected by the general slowdown in consumption in 2014 which resulted in marketers pulling back on their advertising spending. Circulation income, which represents sales of magazines and books, has been shrinking from HK\$108,457,000 in 2012 to HK\$73,432,000 in 2014, down by approximately 32.29% in two years due to the changing consumer behaviours from traditional media to the new online and social media platform. Challenges from slow recovery of global economy and the ever changing media landscape have cast uncertainty on the future performance of the NMG Group.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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After completion of the Share Purchase Agreement on 27 February 2015, the Offeror intends to continue the media and publishing business while exploring investment opportunities into cosmetic surgery, beauty treatment and healthcare related businesses in the PRC which may include, but not limited to the entering into cooperative arrangement(s) in relation to the setting up of a hospital providing general healthcare and medical services and a plastic surgery hospital in the PRC.

We have, accordingly, researched on the information from the public domain with respect to the prospect of the business sectors of cosmetic surgery, in particular plastic surgery, in the PRC. According to the overview of a latest available report published in 2012 by IBISWorld, a US-based research organisation on economic, demographic and government data ([www.ibisworld.com](http://www.ibisworld.com)), reputable plastic surgery hospitals in PRC are renowned for their advanced technology, professional academicians and a large number of medical bed for operations. Based on the articles published in the New York Times and The Global Times as mentioned below demand for plastic surgeries is on the growth in recent years, driven by changing attitudes toward self-image, technological advancements, higher disposable incomes and the aging population. We consider that the recent findings of reputable media such as The New York Times and The Global Times could allow us to form a general idea about the market environment, the current trend and outlook of the plastic surgery industry in the PRC. According to the article titled “Plastic Surgery Tourism Brings Chinese to South Korea” published by The New York Times on 23 December 2014, there were 211,218 medical tourists to South Korea, a majority of which were for plastic surgery, with Chinese travelers representing the highest proportion. The South Korean government expects this figure will increase to 1 million per year by 2020. We consider that the notable demand from the PRC implies a potential for the development of plastic surgery hospitals in PRC.

Traditionally, female is the major consumer in the domestic plastic surgery market. Over the past five years, there has been a huge boom in men’s aesthetic surgery in the PRC. Cosmetic surgery is no longer the exclusive domain of female. According to an article titled “A cut above” published by The Global Times on 15 April 2014, a director of the department of plastic surgery at Peking University Third Hospital mentioned that the number of men’s surgeries in their hospital increased from 504 to 752, an increase of around 50% from 2009 to 2013. A director of orthopedics at Tianjin 8630 Plastic Surgery Hospital also mentioned that their hospital performed over 600 cosmetic surgeries for university students, among which 30% were male in the summer vacation of 2013. Based on our research on the public domain, there is no official statistics in relation to the demand for plastic surgery in the PRC other than the promulgation of the relevant laws and regulations. We consider that the situation of individual hospital as quoted by the above market practitioners could offer insight into the trend of the plastic surgery industry in the PRC.

While there is great demand for plastic surgery in the PRC, the domestic plastic surgery industry has been overshadowed by safety concern on plastic procedures. To address the safety issue in the industry, in August 2012, the National Health and Family Planning Commission of the PRC issued the 《關於進一步加強醫療美容管理工作的通知》(Notice for further strengthening the regulation of the cosmetic surgery industry\*) with respect to stepping up regulations over cosmetic surgery organisations, practitioners, various types of cosmetic



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surgical procedures and advertising as well as establishment of database. The promulgation of hygienic standards to regulate the industry in PRC is expected to result in higher entry barrier and elimination of sub-par operators. Plastic surgery hospitals with adequate management and capital investment could benefit from such industry transformation.

Although the outlook of the plastic surgery hospital industry in PRC appears to be positive, it is noted that the NMG Group has not identified any suitable investment opportunities and is not in discussions for any investment projects as at the Latest Practicable Date.

Having considered that (i) recovery of global economy and development of future media landscape is uncertain, a negative development of which could adversely affect the advertising and circulation income which represent major income streams of the NMG Group; and (ii) the NMG Group does not have any detail plan on the investment into cosmetic surgery, beauty treatment and healthcare related businesses in the PRC as at the Latest Practicable Date and therefore may or may not benefit from the development of plastic surgery hospital industry in PRC, we remain cautious about the outlook and prospects of the NMG Group.

#### **4. Principal terms of the Offer**

Somerley Capital is making, on behalf of the Offeror and in compliance with the Takeovers Code, the Offer to acquire all the issued Shares (other than those Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it) which is 216,050,000 Shares representing 25.01% of all the issued Shares as at the Latest Practicable Date on the following basis:

For every Offer Share . . . . . HK\$1.467 in cash

The Offer Price of HK\$1.467 per Offer Share under the Offer is determined with reference to the purchase price per New Media Sale Share held by Holdco under the Share Purchase Agreement completed on 27 February 2015. As at the Latest Practicable Date, New Media has a total of 864,000,000 Shares in issue of which 67,500,000 Shares are listed as Depository Receipts on the Taiwan Stock Exchange. New Media has no outstanding securities, options, derivatives or warrants which are convertible or exchangeable into the Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants.

The Offer Price of HK\$1.467 per Offer Share (the “Offer Price”) represents:

- (1) a discount of approximately 60.56% to the closing price of approximately HK\$3.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (2) a discount of approximately 67.4% to the closing price of approximately HK\$4.50 per Share as quoted on the Stock Exchange on the Last Trading Day;

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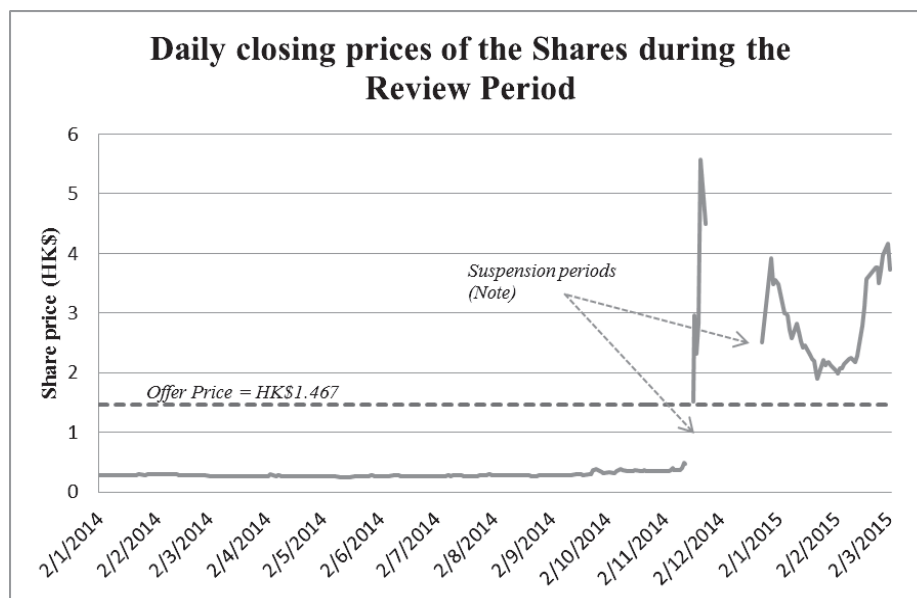
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- (3) a discount of approximately 59.70% to the average closing price of approximately HK\$3.64 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the five (5) consecutive trading days immediately prior to and including the Last Trading Day;
- (4) a discount of approximately 31.45% to the average closing price of approximately HK\$2.14 per Share, being the average of the closing prices of the Shares as quoted on the Stock Exchange for the ten (10) consecutive trading days immediately prior to and including the Last Trading Day;
- (5) a premium of approximately 208.84% over the closing price of approximately HK\$0.475 per Share as quoted on the Stock Exchange on 13 November 2014, being the last business day (as defined in the Takeovers Code) prior to the commencement of the offer period;
- (6) a premium of approximately 177.84% over the audited consolidated net asset value of the NMG Group of approximately HK\$0.528 per Share as at 30 June 2014, based on a total of 864,000,000 Shares in issue as at the Latest Practicable Date and the audited consolidated net asset value of the NMG Group of approximately HK\$456,060,000 as at 30 June 2014; and
- (7) a premium of approximately 176.79% over the unaudited consolidated net asset value of the NMG Group of approximately HK\$0.530 per Share as at 31 December 2014, based on a total of 864,000,000 Shares in issue as at the Latest Practicable Date and the unaudited consolidated net asset value of the NMG Group of approximately HK\$457,907,000 as at 31 December 2014.

**5. Historical performance of the Shares**

**5.1 Share Price**

The chart of daily closing price of the Shares during the Review Period (as defined below) is as follows:



Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes: Trading of the Shares was suspended from 14 November 2014 to 16 November 2014 pending the release of the Announcement in relation to the Possible Share Purchase and from 25 November 2014 to 23 December 2014 pending the release of the Joint Announcement in relation to the Special Deals and Share Purchase.

We have reviewed the closing price of the Shares for a 12-month period from 2 January 2014 up to and including the Latest Practicable Date (the “Review Period”) which covered around 12 months before and including the Joint Announcement date in relation to the Special Deals and Share Purchase on 23 December 2014. We consider that the length of the Review Period to be reasonably long enough to illustrate the relationship between the historical trend of the closing price of the Shares and the Offer. The chart above represents the daily movement in the closing prices of the Shares against the Offer Price during the Review Period.

Prior the release of the Announcement in relation to the Possible Share Purchase on 14 November 2014 (the “First Announcement”), the lowest and highest closing price of the Shares during the Review Period were HK\$ 0.241 per Share recorded on 14 May 2014 and 16 May 2014 and HK\$0.485 per Share recorded on 12 November 2014 respectively, as quoted on the Stock Exchange. The average daily closing price of the Shares during the Review Period before the release of the First Announcement is

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HK\$0.290 per Share. The Offer Price of HK\$1.467 per Share represents (i) a premium of approximately 508.71% to the lowest closing price during the Review Period before the release of the First Announcement; (ii) a premium of approximately 202.47% to the highest closing price during the Review Period before the release of the First Announcement; and (iii) a premium of approximately 405.86% to the average daily closing price during the Review Period before the release of the First Announcement. In this regard, the Shares have been traded at a price substantially lower than the Offer Price before the First Announcement.

Upon the release of the First Announcement, the Share price surged from HK\$0.475 per Share, being the closing price on 13 November 2014, the last trading day before the release of the First Announcement, to HK\$1.52 per Share on 17 November 2014, the first day of resumption of trading. The Share price peaked on 21 November 2014, closing at HK\$5.58 per Share as quoted on the Stock Exchange. On 24 December 2014, being the first day of resumption of trading after the release of Joint Announcement in relation to the Special Deals and Share Purchase (the “Second Announcement”), the Share price dropped drastically and was closed at HK\$2.51 per Share. The Shares was finally closed at HK\$3.72 per Share as at the Latest Practicable Date.

We are of the view that the fluctuating and volatile Share price after the release of the First and Second Announcements was due to market speculation on the future development of the NMG Group following the Share Purchase and possible investment in the cosmetic surgery, beauty treatment and healthcare related businesses in the PRC which may include the entering into cooperative arrangement(s) in relation to the setting up of a hospital providing general healthcare and medical services and a plastic surgery hospital in the PRC, details of which are discussed in section 3 headed “Prospect and outlook of the NMG Group” above. Market speculates on changes in the prospect of the NMG Group after the introduction of Evergrande as a substantial shareholder, holding 74.99% of the total issued Shares of the NMG Group as at the Latest Practicable Date. It is noted that the NMG Group has not identified any suitable investment opportunities and is not in discussions for any investment projects as at the Latest Practicable Date. In the event that the NMG Group cannot explore any business or investment opportunities and the operations of the NMG Group remain unchanged, market may reverse its view on the prospect of the NMG Group and the Share price may fall back. Accordingly, we consider the price trend prior to the First Announcement more appropriately reflects the fundamentals of the NMG Group.

Having considered that (i) the Offer Price is substantially higher than historical prices of the Shares during the Review Period prior to the release of the First Announcement, a period of which we consider more appropriately reflects the fundamentals of the NMG Group as analysed above; and (ii) future development and prospect of the NMG Group is uncertain since the NMG Group has not identified any suitable investment opportunities and is not in discussions for any investment projects as

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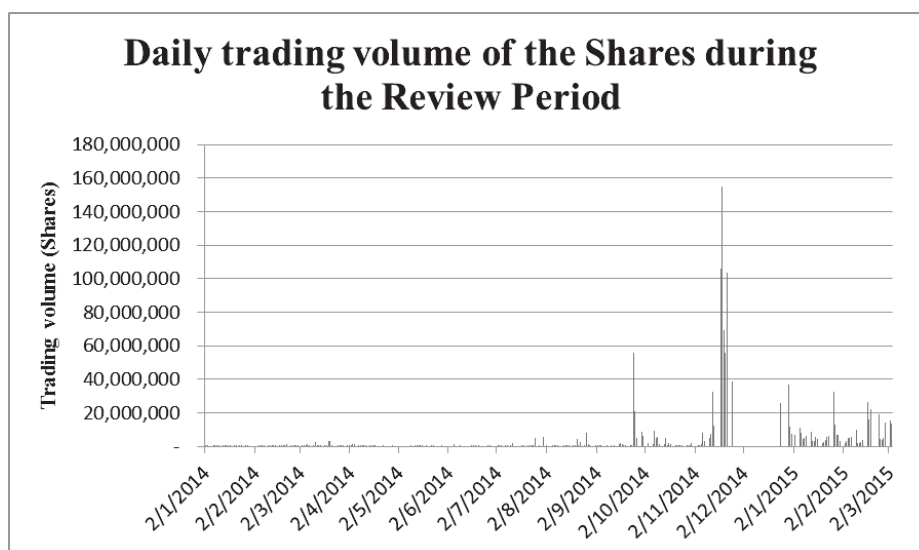
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at the Latest Practicable Date, current Share price under market speculation may not be sustainable, we are of the view that the Offer price is fair and reasonable so far as the Independent Shareholders are concerned.

In view of the recent surge in the Share price of the NMG Group, Independent Shareholders who wish to realize their investment in the NMG Group are reminded that they should carefully and closely monitor the market price of the NMG Group during the offer period and consider selling their Shares in the open market during the offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer.

### 5.2 *Liquidity of the Shares*

The chart of daily trading volume of the Shares during the Review Period is as follows:



Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes: Trading of the Shares was suspended from 14 November 2014 to 16 November 2014 pending the release of the Announcement in relation to the Share Purchase and from 25 November 2014 to 23 December 2014 pending the release of the Joint Announcement in relation to the Special Deals and Share Purchase.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

A table showing the average daily volume of the Shares per month and the respective percentages of the average daily trading volume as compared with the total number of issued Shares and total number of issued Shares held by public Shareholders respectively during the Review Period is as follows:

	Total trading volume of the Shares in the month	Number of trading days in the month	Average daily trading volume of the Shares in the month <i>(Number of shares) (Note 1)</i>	Number of trading days with no turnover (excluding suspension period) <i>(days)</i>	Percentage of average daily trading volume to total number of shares in issue as at the end of each month <i>(Approximate %) (Note 2)</i>	Percentage of average daily trading volume to total number of shares held by public Shareholders as at the end of each month <i>(Approximate %) (Note 3)</i>
<b>2014</b>						
January	5,120,000	21	243,810	4	0.03%	0.11%
February	6,140,000	19	323,158	0	0.04%	0.15%
March	13,114,500	21	624,500	1	0.07%	0.29%
April	4,140,000	20	207,000	5	0.02%	0.10%
May	1,730,000	20	86,500	10	0.01%	0.04%
June	3,005,000	20	150,250	12	0.02%	0.07%
July	14,430,000	22	655,909	6	0.08%	0.30%
August	20,325,000	21	967,857	3	0.11%	0.45%
September	102,865,000	21	4,898,333	2	0.57%	2.27%
October	40,035,000	20	2,001,750	0	0.23%	0.93%
November	597,321,010	15	39,821,401	0	4.61%	18.43%
December	80,835,000	4	20,208,750	0	2.34%	9.35%
<b>2015</b>						
January	145,872,000	21	6,946,286	0	0.80%	3.22%
February	151,075,000	18	8,393,056	0	0.97%	3.88%
March (up to and including the Latest Practicable Date)	28,805,000	2	14,402,500	0	1.67%	6.67%

Source: website of the Stock Exchange (<http://www.hkex.com.hk>)

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day. (i.e. From 14 November 2014 to 16 November 2014 pending the release of the Announcement in relation to the Possible Share Purchase and from 25 November 2014 to 23 December 2014 pending the release of the Joint Announcement in relation to the Special Deals and Share Purchase.)
2. Based on the number of shares in issue as at the end of each month.

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3. Based on the number of shares held by public as at the end of each month.
4. The Review Period commenced on 2 January 2014.
5. The Review Period ended on the Latest Practicable Date.

The average daily trading volume of the Shares per month during the Review Period ranged from approximately 0.01% in May 2014 to 4.61% in November 2014 of the total number of issued Shares as at the end of the respective month. If only Shares held by public Shareholders as at the end of each month, i.e. the free float, are considered in calculating the percentage of average daily trading volume of the Shares per month during the Review Period, the percentage ranged from approximately 0.04% in May 2014 to 18.43% in November 2014. The higher than average trading volume in November and December 2014 approximating 18.43% and 9.35% of the free float respectively were, in our view, due to market speculation on the future development of the NMG Group arising from the possible change in control of the NMG Group announced on 14 November 2014 pursuant to Rule 3.7 of The Code on Takeovers and Mergers and possible investment in the cosmetic surgery, beauty treatment and healthcare related businesses in the PRC which may include the setting up of a plastic surgery hospital in the PRC announced on 23 December 2014 pursuant to Rule 3.5 of The Code on Takeovers and Mergers. The percentage subsequently reduced to 6.67% of the free float in March up to the Latest Practicable Date.

Prior to November, the month in which the First Announcement was released, the percentage of average daily trading volume of the Shares for every month during the Review Period, except September the month in which financial results for the year 2014 was released which resulted in a more active market, was below 1% of the free float. We are of the view that the trading volume during the Review Period was thin, except for the recent increase in daily trading volume for the dates following the release of the First and Second Announcements. We consider that current trading volume due to market speculation on the prospect of the NMG Group may not be sustainable. In the event that the NMG Group cannot explore any business or investment opportunities and the operations of the NMG Group remain unchanged, trading volume may shrink considerably.

In view of the generally low liquidity of the Shares during the Review Period, we are of the view that it may be difficult for the Independent Shareholders to dispose of a substantial amount of Shares in the open market without exerting a downward impact on the Share price. As such, we consider that the Offer provides an opportunity for the Independent Shareholders to realise their investment at the Offer Price.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the Offer Price is substantially higher than historical prices of the Shares during the Review Period prior to the release of the First Announcement, a period of which we consider more appropriately reflects the fundamentals of the NMG Group; and (ii) the Offer provides an opportunity for the Independent Shareholders to realise their investment at the Offer Price without exerting a downward impact on the Share price, taking into account the generally low liquidity of the shares, we are of the view that the Offer Price is fair and reasonable so far as the Independent Shareholders are concerned.

### 6. Comparison of the Offer Price

In assessing the fairness and reasonableness of the Offer Price, we have attempted to compare the price-to-earnings ratio (the “P/E Ratio”) as represented by the Offer Price with the audited net profit after taxation of the NMG Group for the year ended 30 June 2014, with the P/E Ratio of other companies engaged in business similar to the NMG Group (which is regarded as one of the commonly used valuation methods to value a company with recurrent income base). Companies are selected based on the following criteria: (i) companies listed on the Stock Exchange; (ii) generating segment revenue from the provision of publication of printed media (including newspaper and magazine), which is similar to the principal business of the NMG Group, of not less than 50% of the total revenue of the latest financial year and of a profit-making position; and (iii) having more than half of the segment revenue derived in the PRC region (including Hong Kong and Macau). We have identified and made references to 6 companies that meet the aforesaid criteria which is exhaustive (the “Selected Companies”). We consider that the Selected Companies are fair and representative samples for comparison as the principal businesses and geographical source of revenue are similar to those of the NMG Group. Details of our analyses are set out in the following table:

Company name (stock code)	Principal businesses	Market capitalisation (Note 1) (a) <i>Approximate HK\$'000</i>	Profit after tax for the latest financial year (Note 2) (b) <i>Approximate HK\$'000</i>	Net Asset Value as at the end of the latest financial year (Note 2) (c) <i>Approximate HK\$'000</i>	P/E Ratio (d)=(a)/(b) <i>times</i>	P/B Ratio (e)=(a)/(c) <i>times</i>
Hong Kong Economic Times Holdings Limited (423)	(i) printed media segment; (ii) financial news agency, information and solutions segment; (iii) recruitment advertising and training segment; and (iv) lifestyle portals segment	707,824	28,138	802,683	25.16	0.88



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company name (stock code)	Principal businesses	Market capitalisation (Note 1) (a) <i>Approximate HK\$'000</i>	Profit after tax for the latest financial year (Note 2) (b) <i>Approximate HK\$'000</i>	Net Asset Value as at the end of the latest financial year (Note 2) (c) <i>Approximate HK\$'000</i>	P/E Ratio (d)=(a)/(b) <i>times</i>	P/B Ratio (e)=(a)/(c) <i>times</i>
Media Chinese International Limited (685)	(i) publishing and printing segments; and (ii) travel and travel related services segment	3,121,389	376,241	1,698,934	8.30	1.84
Next Media Limited (282)	(i) newspaper publication and printing; (ii) books and magazines publication and printing; and (iii) digital businesses	1,409,984	330,768	2,556,400	4.26	0.55
One Media Group Limited (426)	Magazine publishing and digital media business	224,000	28,646	192,656	7.82	1.16
Oriental Press Group Limited (18)	(i) publication of newspapers; and (ii) other operating segments	2,086,189	90,361	2,922,533	23.09	0.71
Sing Tao News Corporation Limited (1105)	(i) publication and distribution of newspaper, magazines and books; (ii) trading of photographic products; and (iii) other operating segments	931,339	105,662	1,996,896	8.81	0.47
<b>Mean</b>					12.91	0.94
<b>Median</b>					8.56	0.80
<b>Max</b>					25.16	1.84
<b>Min</b>					4.26	0.47
<b>The NMG Group (Note 3)</b>					115.18	2.78

*Notes:*

- Based on the closing price as quoted on the Stock Exchange on 23 December 2014, being the date of the Share Purchase Agreement, and the number of shares in issue as at 31 December 2014, of the respective Selected Companies.
- Based on the latest annual report of the respective Selected Companies.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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3. Calculated based on the valuation of the entire equity of the NMG Group with reference to the Offer Price of approximately HK\$1,267 million, the audited profit after taxation of the NMG Group for the year ended 30 June 2014 of approximately HK\$11 million and the Net Asset Value as at 30 June 2014 of approximately HK\$456 million.

As shown in the above table, the P/E Ratios of the Selected Companies range from a minimum of 4.26 to a maximum of 25.16 with a mean of 12.91. The P/E Ratio represented by the valuation for the Offer Shares of approximately 115.03 is higher than the maximum of that of the Selected Companies. Moreover, the P/B Ratios of the Selected Companies range from a minimum of 0.47 to a maximum of 1.84 with a mean of 0.94. The P/B Ratio represented by the valuation for the Offer Shares of approximately 2.78 is much higher than the maximum of that of the Selected Companies. As such, we are of the view that the Offer Price is favourable so far as the Independent Shareholders are concerned.

### **7. Background and intention of the Offeror and Evergrande**

#### *Background*

The Offeror is an investment holding company incorporated in BVI, which is an indirect wholly-owned subsidiary of Evergrande. Save for entering into the Share Purchase Agreement, the Offeror has not conducted any business since its incorporation. As at the Latest Practicable Date, Mr. Huang Xiangui is the sole director of the Offeror.

Evergrande is a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 3333). The principal business of Evergrande Group is property development, property investment, property management, property construction, hotel and other businesses in the PRC.

#### *Intention*

Evergrande considers that the Share Purchase and the Offer provide an opportunity for it to invest in the media and publishing business in Hong Kong and the PRC, and another listed platform to gain access to the capital market for its business development as and when appropriate. The Offeror intends to continue the principal business of the NMG Group, which comprises of the media and publishing businesses in Hong Kong and the PRC immediately upon the Share Purchase Completion. The Offeror will, following the completion of the Offer, conduct a detailed review of the business operations and financial position of the NMG Group for the purpose of developing more detailed and sustainable business plan or strategy for the NMG Group, and explore other business or investment opportunities for enhancing its future development, including but not limited to, possible investment into cosmetic surgery, beauty treatment and healthcare related businesses in the PRC which may include (but not limited to) the entering into cooperative arrangement(s) in relation to the setting up of a hospital providing general

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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healthcare and medical services and a plastic surgery hospital in the PRC. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the NMG Group.

As of the Latest Practicable Date, no agreement, arrangements, understandings or negotiation in relation to the injection of any assets or business into the NMG Group had been entered into by the Offeror. The Offeror has no intention to terminate any employment of the employees of the NMG Group or to make significant changes to any employment except for the proposed change of Board composition. The Offeror intends to nominate new Directors to the Board with effect from the Closing Date. Any changes to the Board will be made in compliance with the Takeovers Code and the Listing Rules and further announcement will be made as and when appropriate. The Offeror has no intention to dispose of or re-allocate the NMG Group's assets which are not in the ordinary and usual course of business of the NMG Group.

As disclosed in New Media's announcement dated 27 February 2015, it is proposed that the company name of New Media will be changed to "Evergrande Health Industry Group Limited 恒大健康產業集團有限公司", subject to (i) the passing of a special resolution by the Shareholders at the general meeting of New Media; and (ii) the approval of the Registrar of Companies of Hong Kong.

### RECOMMENDATION

Having considered the abovementioned principal factors and reasons for the Offer, in particular that:

1. the Offer Price is substantially higher than historical prices of the Shares during the Review Period prior to the release of the First Announcement, a period of which we consider more appropriately reflects the fundamentals of the NMG Group as analysed in section 5 headed "Historical performance of the Shares";
2. the Offer Price represents a premium of approximately 117.84% over the audited consolidated net asset value of the NMG Group of HK\$0.528 per Share as at 30 June 2014;
3. liquidity of the Shares was generally low during the Review Period and the Offer provides an opportunity for the Independent Shareholders to realise their investment at the Offer Price without exerting a downward impact on the Share price; and
4. The P/E Ratio and P/B Ratio represented by the valuation for the Offer Shares are significantly higher than the mean and maximum of those of the Selected Companies.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned and we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, accept the Offer.

In view of the recent surge in the price of the Shares, Independent Shareholders who wish to realize their investment in the Shares are reminded that they should carefully and closely monitor the market price of the Shares during the offer period and consider selling their Shares in the open market during the offer period, rather than accepting the Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Offer. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the Offer Period of the Offer.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Robert Siu**  
*Managing Director*

*Note:* Mr. Robert Siu is a licensed person registered with the Securities and Future Commission of Hong Kong and a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.

**1. GENERAL PROCEDURES FOR ACCEPTANCE OF THE OFFER**

To accept the Offer, you should complete and sign the accompanying Form of Acceptance and Transfer in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.

- (a) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Offer, you must send the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof), by post or by hand, to the Registrar at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in an envelope marked "New Media Offer" in any event not later than 4:00 p.m., on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer in respect of your Shares, you must either:
  - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (ii) arrange for the Shares to be registered in your name by New Media through the Registrar, and send the duly completed Form of Acceptance and Transfer together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
  - (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar). In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/

custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

- (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited (which is normally one Business Day before the latest date on which acceptances of the Offer must be received by the Registrar).
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Offer in respect of your Shares, the Form of Acceptance and Transfer should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete the Form of Acceptance and Transfer and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Somerley Capital and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance and Transfer.
- (e) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance and Transfer is received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce

with the consent of the Executive in accordance with the Takeovers Code and the Registrar has recorded that the acceptance and the relevant documents as required under this paragraph have been so received, and is:

- (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if the Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or
  - (ii) from a registered Shareholder or his/her/its personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another subparagraph of this paragraph (e); or
  - (iii) certified by the Registrar or the Stock Exchange.
- (f) If the Form of Acceptance and Transfer is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.
- (g) In Hong Kong, seller's ad valorem stamp duty arising in connection with acceptances of the Offer will be payable by relevant Independent Shareholders at a rate of 0.1% of (i) the market value of the Offer Shares; or (ii) the consideration payable by the Offeror in respect of the relevant acceptances of the Offer, whichever is higher, will be deducted from the cash amount payable by the Offeror to such Independent Shareholder on acceptance of the Offer (where the stamp duty calculated includes a fraction of HK\$1, the stamp duty would be rounded-up to the nearest HK\$1). The Offeror will arrange for payment of the seller's ad valorem stamp duty on behalf of relevant Independent Shareholders accepting the Offer and will pay the buyer's ad valorem stamp duty in connection with the acceptances of the Offer and the transfer of the Offer Shares in accordance with the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong).
- (h) No acknowledgement of receipt of any Form of Acceptance and Transfer, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

## **2. ACCEPTANCE PERIOD AND REVISIONS**

- (a) Unless the Offer has previously been revised or extended, with the consent of the Executive, in accordance with the Takeovers Code, the Form of Acceptance and Transfer must be received by 4:00 p.m. on the Closing Date in accordance with the instructions printed on the relevant Form of Acceptance and Transfer, and the Offer will be closed on the Closing Date.

- (b) The Offeror and New Media will jointly issue an announcement through the website of the Stock Exchange no later than 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.
- (c) In the event that the Offeror decides to extend the Offer, at least 14 days' notice by way of announcement will be given, before the latest time and date for acceptance of the Offer, to those Independent Shareholders who have not accepted the Offer.
- (d) If the Offeror revises the terms of the Offer, all Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to the revised terms. The revised Offer must be kept open for at least 14 days following the date on which the revised offer document is posted.
- (e) If the closing date of the Offer is extended, any reference in this Composite Document and in the Form of Acceptance and Transfer to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer so extended.

### **3. ANNOUNCEMENT**

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must publish an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating whether the Offer has been extended, revised or has closed for acceptance.

Such announcement must state the following:

- (i) the total number of Shares and rights over Shares for which acceptances of the Offer have been received;
- (ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror or its concert parties before the Offer Period;
- (iii) the total number of Shares and rights over Shares acquired or agreed to be acquired by the Offeror or its concert parties during the Offer Period;
- (iv) details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in New Media which the Offeror or any parties acting in concert with it has borrowed or lent, save for any borrowed securities which have been either on-lent or sold; and
- (v) the percentages of the relevant classes of share capital of New Media and the percentages of voting rights of New Media represented by these numbers.



- (b) In computing the total number of Shares represented by acceptances, only valid acceptances in complete and good order and in compliance with Note 1 to Rule 30.2 of the Takeovers Code, which have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Offer, shall be included.

#### **4. RIGHT OF WITHDRAWAL**

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in paragraph 3 of this Appendix headed “Announcement” above, the Executive may require pursuant to Rule 19.2 of the Takeovers Code that the Independent Shareholders who have tendered acceptance to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirement of Rule 19 of the Takeovers Code can be met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) lodged with the Form of Acceptance and Transfer to the relevant Independent Shareholder(s).

#### **5. SETTLEMENT OF THE OFFER**

Provided that the accompanying Form of Acceptance and Transfer, together with the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are valid, complete and in good order and have been received by the Registrar no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the accepting Independent Shareholders in respect of the Shares tendered under the Offer (less seller’s ad valorem stamp duty payable by them, as the case maybe) will be despatched to the accepting Independent Shareholders by ordinary post at their own risk within 7 Business Days after the date of receipt of all relevant documents which render such acceptance complete and valid by the Registrar in compliance with Note 1 to Rule 30.2 of the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be paid by the Offeror in full in accordance with the terms of the Offer (save with respect of the payment of seller’s ad valorem stamp duty) set out in this Composite Document (including this Appendix) and the accompanying Form of Acceptance and Transfer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

No fraction of a cent will be payable and the amount of consideration payable to an Independent Shareholder who accepts the Offer will be rounded up to the nearest cent.

## **6. OVERSEAS SHAREHOLDERS**

The Offer is in respect of securities of a company incorporated in the Hong Kong and is subject to the procedural and disclosure requirements of Hong Kong which may be different from other jurisdictions. Any Overseas Shareholders who wish to participate in the Offer but with a registered address outside Hong Kong are subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer. The Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe relevant applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

## **7. TAX IMPLICATIONS**

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Offer. It is emphasised that none of the Offeror, New Media and their ultimate beneficial owners and parties acting in concert with any of them, Somerley Capital, Messis Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Offer.

## **8. GENERAL**

- (a) All communications, notices, Form of Acceptance and Transfer, certificates, transfer receipts and other documents of title or of indemnity or of any other nature to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror, New Media and their ultimate beneficial owners and parties acting in concert with any of them, Somerley Capital, Messis Capital, the Registrar or any of their respective directors or any persons involved in the Offer accepts any liability for any loss or any other liabilities whatsoever which may arise as a result.
- (b) Acceptance of the Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares tendered under the Offer are sold by such person or persons free from all liens, charges, claims, equities, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them, including the rights to receive dividends if any, declared, made or paid by New Media on the posting of this Composite Document.

- (c) Acceptance of the Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form of Acceptance and Transfer is the aggregate number of Shares held by such nominee for such beneficial owners who accept the Offer.
- (d) The provisions set out in the accompanying Form of Acceptance and Transfer form part of the terms of the Offer.
- (e) The accidental omission to despatch this Composite Document and/or the accompanying Form of Acceptance and Transfer or either of them to any person to whom the Offer is made shall not invalidate the Offer in any way.
- (f) The Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.
- (g) Due execution of Form of Acceptance and Transfer in compliance with Note 1 to Rule 30.2 of the Takeovers Code, will constitute an authority to the Offeror or its agents to complete and execute on behalf of the person accepting the Offer, and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person as it may direct.
- (h) The Offer is made in accordance with the Takeovers Code.
- (i) In making their decision, Independent Shareholders must rely on their own examination of NMG Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein together with the Form of Acceptance and Transfer, shall not be construed as any legal or business advice on the part of the Offeror, New Media, Somerley Capital, Messis Capital or their respective professional advisers. Independent Shareholders should consult their own professional advisers for professional advice.
- (j) The English text of this Composite Document and of the accompanying Form of Acceptance and Transfer shall prevail over the Chinese text.

## THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

## 1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of NMG Group for each of the three years ended 30 June 2012, 2013 and 2014 and the unaudited financial results of NMG group for the six months ended 31 December 2014 as extracted from respective annual reports of New Media and the announcement of interim results of New Media dated 16 February 2015:

	Year ended 30 June			Six months ended 31 December	
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Restated)	2014 HK\$'000	2013 HK\$'000
<b>Revenue</b>	<u>455,624</u>	<u>495,197</u>	<u>504,840</u>	<u>222,065</u>	<u>256,969</u>
<b>Gross profit</b>	155,733	162,063	163,674	74,525	91,650
Finance costs	<u>—</u>	<u>(710)</u>	<u>(857)</u>	<u>—</u>	<u>—</u>
Profit before taxation	12,914	27,433	35,805	3,441	20,244
Income tax expense	<u>(1,895)</u>	<u>(5,158)</u>	<u>(6,151)</u>	<u>(471)</u>	<u>(2,978)</u>
<b>Profit for the year attributable to the equity holders of New Media</b>	<u>11,019</u>	<u>22,275</u>	<u>29,654</u>	<u>2,970</u>	<u>17,266</u>
<b>Dividends attributable to the equity holders of New Media</b>	<u>1,123</u>	<u>3,456</u>	<u>3,456</u>	<u>—</u>	<u>2,160</u>
<b>Earnings per Share for profit for the year attributable to the equity holders of New Media</b>					
— Basic and diluted ( <i>HK cents</i> )	<u>1.28</u>	<u>2.58</u>	<u>3.46</u>	<u>0.34</u>	<u>2.00</u>
<b>Dividends per Share (<i>HK cents</i>)</b>	<u>0.13</u>	<u>0.4</u>	<u>0.4</u>	<u>—</u>	<u>0.25</u>

There were no exceptional items because of size, nature or incidence in respect of the consolidated financial statements of New Media during each of the three years ended 30 June 2012, 2013 and 2014 and the six months ended 31 December 2014. NMG Group did not record any non-controlling interests for each of the three years ended 30 June 2012, 2013 and 2014 and the six months ended 31 December 2014.

The auditor of New Media, Deloitte Touche Tohmatsu, issued unqualified opinion on the consolidated financial statements of New Media for the years ended 30 June 2012, 2013 and 2014.

## 2. AUDITED FINANCIAL STATEMENTS

The following is the full text of the audited consolidated financial statements of New Media for the years ended 30 June 2013 and 2014 as extracted from the annual report of New Media for the year ended 30 June 2014:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 30 June 2014*

	<i>NOTES</i>	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Turnover	7	455,624	495,197
Direct operating costs		<u>(299,891)</u>	<u>(333,134)</u>
Gross profit		155,733	162,063
Other income		2,068	3,123
Selling and distribution costs		(71,235)	(71,292)
Administrative expenses		(73,652)	(65,751)
Finance costs	8	<u>—</u>	<u>(710)</u>
Profit before taxation		12,914	27,433
Taxation charge	9	<u>(1,895)</u>	<u>(5,158)</u>
Profit and total comprehensive income for the year	10	<u>11,019</u>	<u>22,275</u>
Earnings per share	13		
— Basic and diluted		<u>HK1.28 cents</u>	<u>HK2.58 cents</u>

Details of dividends attributable to the equity holders of New Media for the year are set out in note 12.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	14	319,389	331,406
Intangible assets	15	—	—
Goodwill	16	<u>695</u>	<u>695</u>
		<u>320,084</u>	<u>332,101</u>
Current assets			
Inventories	18	—	545
Trade and other receivables	19	101,916	114,366
Income tax recoverable		—	749
Bank balances and cash	21	<u>90,238</u>	<u>66,837</u>
		<u>192,154</u>	<u>182,497</u>
Current liabilities			
Trade and other payables	22	50,720	59,642
Income tax payable		<u>2,883</u>	<u>1,161</u>
		<u>53,603</u>	<u>60,803</u>
Net current assets		<u>138,551</u>	<u>121,694</u>
Total assets less current liabilities		<u>458,635</u>	<u>453,795</u>
Non-current liability			
Deferred taxation	23	<u>2,575</u>	<u>3,138</u>
Net assets		<u>456,060</u>	<u>450,657</u>
Capital and reserves			
Share capital	24	282,271	8,640
Reserves	26	<u>173,789</u>	<u>442,017</u>
Total equity		<u>456,060</u>	<u>450,657</u>

## STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investments in subsidiaries	17	98,220	72,220
Amounts due from subsidiaries	20	<u>201,000</u>	<u>186,000</u>
		<u>299,220</u>	<u>258,220</u>
Current assets			
Other receivables		1	2
Amounts due from subsidiaries	20	84,871	131,091
Bank balances	21	<u>5,358</u>	<u>5,360</u>
		<u>90,230</u>	<u>136,453</u>
Current liabilities			
Other payables and accrued charges		465	436
Amount due to a subsidiary	20	5,000	5,000
Income tax payable		<u>4</u>	<u>—</u>
		<u>5,469</u>	<u>5,436</u>
Net current assets		<u>84,761</u>	<u>131,017</u>
Net assets		<u><u>383,981</u></u>	<u><u>389,237</u></u>
Capital and reserves			
Share capital	24	282,271	8,640
Reserves	26	<u>101,710</u>	<u>380,597</u>
Total equity		<u><u>383,981</u></u>	<u><u>389,237</u></u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	Share capital HK\$'000	Share premium HK\$'000 (note 26(a))	Special reserve HK\$'000 (note 26(b))	Capital contribution reserve HK\$'000 (note 26(c))	Share options reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
At 1 July 2012	8,640	273,631	90,700	796	2,565	58,530	434,862
Profit and total comprehensive income for the year	—	—	—	—	—	22,275	22,275
Final dividend paid for 2012	—	—	—	—	—	(3,456)	(3,456)
Interim dividend paid for 2013	—	—	—	—	—	(3,024)	(3,024)
Transfer upon lapse of share option	—	—	—	—	(2,565)	2,565	—
At 30 June 2013	8,640	273,631	90,700	796	—	76,890	450,657
Profit and total comprehensive income for the year	—	—	—	—	—	11,019	11,019
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance (note)	273,631	(273,631)	—	—	—	—	—
Final dividend paid for 2013	—	—	—	—	—	(3,456)	(3,456)
Interim dividend paid for 2014	—	—	—	—	—	(2,160)	(2,160)
At 30 June 2014	282,271	—	90,700	796	—	82,293	456,060

Note: New Media has no authorised share capital and its shares have no par value from the commencement date of the new Hong Kong Companies Ordinance (i.e. 3 March 2014).



**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 30 June 2014*

	<b>2014</b> <i>HK\$'000</i>	<b>2013</b> <i>HK\$'000</i>
Cash flows from operating activities		
Profit before taxation	12,914	27,433
Adjustments for:		
Interest income	(1,457)	(606)
Interest expenses	—	710
Depreciation of property, plant and equipment	24,972	23,802
Gain on disposal of property, plant and equipment	(31)	(6)
Allowance for doubtful debts	<u>60</u>	<u>725</u>
Operating cash flows before movements in working capital	36,458	52,058
Decrease in inventories	545	597
Decrease (increase) in trade and other receivables	13,555	(7,171)
Decrease in trade and other payables	<u>(8,805)</u>	<u>(11,892)</u>
Net cash generated from operations	41,753	33,592
Hong Kong Profits Tax paid	(1,029)	(7,418)
Hong Kong Profits Tax refunded	<u>1,042</u>	<u>1,078</u>
Net cash from operating activities	<u>41,766</u>	<u>27,252</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,300)	(11,980)
Interest received	292	737
Proceeds from disposal of property, plant and equipment	<u>259</u>	<u>55</u>
Net cash used in investing activities	<u>(12,749)</u>	<u>(11,188)</u>
Cash flows from financing activities		
Dividends paid	(5,616)	(6,480)
Interest paid	—	(710)
Repayment of secured bank mortgage loan	<u>—</u>	<u>(53,458)</u>
Net cash used in financing activities	<u>(5,616)</u>	<u>(60,648)</u>
Net increase (decrease) in cash and cash equivalents	23,401	(44,584)
Cash and cash equivalents at beginning of the year	<u>66,837</u>	<u>111,421</u>
Cash and cash equivalents at end of the year, representing bank balances and cash	<u><u>90,238</u></u>	<u><u>66,837</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2014

## 1. GENERAL

New Media is incorporated in Hong Kong as a limited liability company under the Hong Kong Companies Ordinance 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 New Media are New Media Group Investment Limited (“New Media Investment”) and Albert Yeung Holdings Limited (“AY Holdings”), respectively, and both companies are limited liability companies incorporated in the British Virgin Islands (the “BVI”). The entire issued share capital of New Media Investment was owned by AY Holdings which in turn is held by STC International Limited (“STC International”), being the trustee of The Albert Yeung Discretionary Trust (the “AY Trust”), a discretionary trust set up by Dr. Yeung Sau Shing, Albert (“Dr. Albert Yeung”). The address of the registered office and principal place of business of New Media are disclosed in the corporate information of the annual report.

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

New Media acts as an investment holding company. The principal activities of its subsidiaries are set out in note 31.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, NMG Group has applied the following Hong Kong Accounting Standards (“HKASs”) and HKFRSs, amendments and interpretations (“INTs”) (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC*)-INT 20	Stripping costs in the production phase of a surface mine

\* IFRIC represents the International Financial Reporting Interpretations Committee.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on NMG Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**New and revised Standards on consolidation, joint arrangements, associates and disclosures**

In the current year, NMG Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 “Consolidated financial statements”, HKFRS 11 “Joint arrangements”, HKFRS 12 “Disclosure of interests in other entities”, HKAS 27 (as revised in 2011) “Separate financial statements” and HKAS 28 (as revised in 2011) “Investments in associates and joint ventures”, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance. HKAS 27 (as revised in 2011) is not applicable to NMG Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

### Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 “Consolidated and separate financial statements” that deal with consolidated financial statements and HK(SIC)-INT 12 “Consolidation — special purpose entities”. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

### Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Directors concluded that the application of HKFRS 12 has had no material impact on the amounts reported in the consolidated financial statements.

NMG Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations <sup>5</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation <sup>5</sup>
Amendments to HKAS 19	Defined benefit plans: Employee contributions <sup>2</sup>
Amendments to HKAS 32	Offsetting financial assets and financial liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets <sup>1</sup>
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting <sup>1</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle <sup>4</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle <sup>2</sup>
HKFRS 9	Financial instruments: Hedge accounting <sup>3</sup>
HKFRS 15	Revenue from contracts with customers <sup>6</sup>
HK(IFRIC)-INT 21	Levies <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014. Early application is permitted.

<sup>3</sup> Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2016.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2017.

The Directors anticipate that the adoption of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of New Media and entities controlled by New Media and its subsidiaries. Control is achieved when New Media:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

NMG Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when NMG Group obtains control over the subsidiary and ceases when NMG Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date NMG Group gains control until the date when NMG Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of New Media and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of New Media and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with NMG Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of NMG Group are eliminated in full on consolidation.

#### **Revenue recognition**

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

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

Circulation income represents sales of magazines and books, which is recognised when the publications are delivered and title has passed, net of any allowances for returned unsold copies.

Digital business income represents revenue from provision of digital services platform, which is recognised when services are provided.

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 recognised when it is probable that the economic benefits will flow to NMG Group and the amount of income can be measured reliably. Interest income 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 on initial recognition.

### **Taxation**

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. NMG Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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 tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where NMG 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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 tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which NMG Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

**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).

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.

**Retirement benefit costs**

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

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of NMG Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

**Investments in subsidiaries**

Investments in subsidiaries are included in New Media's statement of financial position at deemed cost less any identified impairment loss.

**Property, plant and equipment**

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

#### **Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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 profit or loss in the period when the asset is derecognised.

#### **Impairment loss on tangible and intangible assets (other than goodwill and financial assets)**

At the end of the reporting period, NMG Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, NMG Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

### **Leasing**

#### *NMG Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

#### *Leasehold land and building*

When a lease includes both land and building elements, NMG Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to NMG Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.



*Financial assets*

NMG Group's financial assets are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*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 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 to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash for NMG Group and other receivables, amounts due from subsidiaries and bank balances for New Media) are carried at amortised cost using the effective interest method, less any identified impairment losses.

*Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as 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 assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include NMG 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 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 rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets 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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the 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 profit or loss 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.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of NMG Group after deducting all of its liabilities. Equity instruments issued by New Media are recognised at the proceeds received, net of direct issue costs.

#### *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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### *Financial liabilities*

Financial liabilities, including trade and other payables and secured bank mortgage loan for NMG Group and other payables and amount due to a subsidiary for New Media, are subsequently measured at amortised cost, using the effective interest method.

#### *Equity instruments issued costs*

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### *Derecognition*

NMG Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

NMG Group derecognises financial liabilities when, and only when, NMG Group's obligation is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid or payable is recognised in profit or loss.

#### 4. FINANCIAL INSTRUMENTS

##### (a) Categories of financial instruments

The following table sets out in the financial instruments as at end of the reporting period:

	NMG GROUP		NEW MEDIA	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	<u>185,521</u>	<u>172,990</u>	<u>291,230</u>	<u>322,453</u>
Financial liabilities				
Amortised cost	<u>26,499</u>	<u>35,055</u>	<u>5,415</u>	<u>5,386</u>

##### (b) Financial risk management objectives and policies

###### *NMG GROUP AND NEW MEDIA*

NMG Group's major financial instruments include trade and other receivables, bank balances and cash and trade and other payables. New Media's major financial instruments are other receivables, bank balances, other payables, and amounts due from/to subsidiaries. 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) Market risk

###### *Foreign currency risk*

The functional currency of NMG Group and its major subsidiaries in Hong Kong is HK\$ in which most of the transactions are denominated. NMG Group has certain bank balances which are denominated in Renminbi ("RMB") (being currency other than the functional currency of the respective group entity) amounting to approximately HK\$39,622,000 (2013: nil). NMG Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The following table details NMG Group's sensitivity to a reasonably possible change of 5% (2013: 5%) in exchange rate of RMB against HK\$, while all other variables are held constant. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rate. A positive number below indicates an increase in profit for the year where HK\$ weakens against the relevant foreign currency. Where HK\$ strengthens against the relevant foreign currency, there would be an equal and opposite impact on the profit for the year and the balances below would be negative.

	<b>Year ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
RMB	<u>1,981</u>	<u>—</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

**(d) Credit risk**

NMG Group's and New Media's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position at the end of the reporting period.

***NMG GROUP***

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

NMG Group has concentration of credit risk as NMG Group's trade receivables as at 30 June 2014 of approximately HK\$43,650,000 (2013: HK\$47,475,000) were derived from a few advertising agencies and a sole distributor of NMG Group, representing the top five customers of NMG Group. They are assessed by the management as high credit rating customers. In order to minimise the credit risk, the Directors continuously monitor the level of exposure to ensure that followup actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. NMG Group has no significant concentration of credit risk for the remaining trade receivables, with exposure spread over a number of counterparties and customers.

NMG 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.

***NEW MEDIA***

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

New Media 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.

(e) **Liquidity risk**

In the management of the liquidity risk, NMG Group and New Media monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance NMG Group's and New Media's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of banking facilities and ensures compliance with loan covenants.

New Media relies on amount due to a subsidiary as a significant source of liquidity. At 30 June 2014, based on the existing levels of bank balances and the existing banking facilities available, NMG Group and New Media will be able to meet its future cashflow requirements. Accordingly, the management considers that NMG Group's and New Media's liquidity risk is minimal.

The following tables detail NMG Group's and New Media's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which NMG Group and New Media can be required to pay. The maturity dates are based on the agreed repayment dates.

At 30 June 2013, the table included both interest and principal cash flows. To the extent that interest flows were floating rate, the undiscounted amount was based on interest rate at the end of the reporting period. There were no interest bearing financial liabilities as at 30 June 2014.

*Liquidity tables*

		<b>NMG GROUP</b>			
		<b>Over</b>			
		<b>1 month</b>			
	<b>Weighted</b>	<b>On demand</b>	<b>but not</b>	<b>Total</b>	<b>Total</b>
	<b>average</b>	<b>or less than</b>	<b>more than</b>	<b>undiscounted</b>	<b>carrying</b>
	<b>interest rate</b>	<b>1 month</b>	<b>3 months</b>	<b>cash flows</b>	<b>amounts</b>
	<i>%</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>2014</b>					
Trade and other payables	—	<u>24,391</u>	<u>2,108</u>	<u>26,499</u>	<u>26,499</u>
<b>2013</b>					
Trade and other payables	—	<u>29,218</u>	<u>5,837</u>	<u>35,055</u>	<u>35,055</u>

		NEW MEDIA			
			Over		
			1 month		
	Weighted	On demand	but not	Total	Total
	average	or less than	more than	undiscounted	carrying
	interest rate	1 month	3 months	cash flows	amounts
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2014</b>					
Other payables	—	—	415	415	415
Amount due to a subsidiary	—	5,000	—	5,000	5,000
		<u>5,000</u>	<u>415</u>	<u>5,415</u>	<u>5,415</u>
<b>2013</b>					
Other payables	—	—	386	386	386
Amount due to a subsidiary	—	5,000	—	5,000	5,000
		<u>5,000</u>	<u>386</u>	<u>5,386</u>	<u>5,386</u>

**(f) 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.

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.

**5. CAPITAL RISK MANAGEMENT**

NMG Group manages its capital to ensure that NMG 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. NMG Group's overall strategy remains unchanged from prior year.

The capital structure of NMG Group consists of equity attributable to owners of New Media, comprising issued share capital, reserves and accumulated profits.

The Directors review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, NMG Group will balance its overall capital structure through the payment of dividends, new share issues as well as the debt raising.

**6. SEGMENT INFORMATION**

NMG Group's operating activity is attributable to a single reporting segment focusing on services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content.

The reportable segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the chief operating decision makers ("CODM") who are the executive directors of NMG Group.

**Segment revenue and results**

The CODM regularly review revenue and operating results derived from services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content on an aggregated basis and consider them as one single operating segment. The turnover and profit before taxation in the consolidated statement of profit or loss and other comprehensive income represent the segment turnover and segment result respectively.

No analysis of segment assets or segment liabilities is regularly provided to the CODM for review.

**Other segment information*****Turnover from major products and services***

NMG Group principally engages in magazine publishing and generates advertising income, circulation income, digital business income and income from provision of magazine content. Details are disclosed in note 7 to the consolidated financial statements.

**Geographical information**

For each of the year ended 30 June 2014 and 2013, NMG Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

NMG Group's revenue from external customers based on the location where the sales occurred and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from		Non-current assets	
	external customers		As at 30 June	
	Year ended 30 June		As at 30 June	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	453,386	493,864	318,266	331,830
PRC	<u>2,238</u>	<u>1,333</u>	<u>1,818</u>	<u>271</u>
	<u>455,624</u>	<u>495,197</u>	<u>320,084</u>	<u>332,101</u>

**Information about major customers**

Revenues from customers of the corresponding year contributing over 10% of the total sales of NMG Group are as follows:

	2014	2013
	HK\$'000	HK\$'000
Customer A	70,264	86,993
Customer B	50,154	55,922

Customer A is a sole distributor of the magazines published by NMG Group and Customer B is an advertising agency, which generate circulation income and advertising income respectively to NMG Group.

**7. TURNOVER**

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

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising income	363,330	390,587
Circulation income	73,432	89,648
Digital business income	16,711	12,816
Provision of magazine content	<u>2,151</u>	<u>2,146</u>
	<u><u>455,624</u></u>	<u><u>495,197</u></u>

**8. FINANCE COSTS**

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank mortgage loan not wholly repayable within five years ( <i>note</i> )	<u>—</u>	<u>710</u>

*Note:* The bank mortgage loan was early repaid during the year ended 30 June 2013.

**9. TAXATION CHARGE**

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
The taxation charge comprises:		
Hong Kong Profits Tax		
Current year	2,494	4,607
(Over) underprovision in prior years	<u>(36)</u>	<u>279</u>
	2,458	4,886
Deferred taxation ( <i>Note 23</i> )	<u>(563)</u>	<u>272</u>
	<u><u>1,895</u></u>	<u><u>5,158</u></u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% from 1 January 2008 onwards.



The taxation charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation	<u>12,914</u>	<u>27,433</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,131	4,526
Tax effect of income not taxable for tax purpose	(259)	(99)
Tax effect of expenses not deductible for tax purpose	928	680
Utilisation of tax losses previously not recognised	(1,006)	(1,419)
Tax effect of tax losses not recognised	77	1,227
Effect of different tax rates of a subsidiary operating in PRC	55	(29)
(Over) underprovision in prior years	(36)	279
Others	<u>5</u>	<u>(7)</u>
Taxation charge for the year	<u>1,895</u>	<u>5,158</u>

#### 10. PROFIT FOR THE YEAR

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' emoluments ( <i>Note 11</i> )		
— fees	1,140	1,140
— retirement benefits scheme contributions	30	30
— other emoluments	<u>5,911</u>	<u>6,062</u>
	7,081	7,232
Other staff costs, including salaries and other benefits	202,397	195,691
Other staff's retirement benefits scheme contributions	<u>7,387</u>	<u>7,023</u>
	<u>216,865</u>	<u>209,946</u>
Allowance for doubtful debts	60	725
Auditor's remuneration	2,119	2,200
Depreciation of property, plant and equipment	24,972	23,802
Net exchange loss	426	34
Operating lease rentals for rented premises and machineries	3,228	1,678
and after crediting:		
Gain on disposal of property, plant and equipment	31	6
Interest income	<u>1,457</u>	<u>606</u>

## 11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

## Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the directors and the chief executive of New Media (the "Chief Executive") are as follows:

	Percy Hughes, Shirley HK\$'000	Lee Che Keung, Danny HK\$'000	Fan Man Wong Chi Fai HK\$'000	Hui Wai Seung, Vanessa HK\$'000	Hui Wai Man, Shirley HK\$'000	Tse Hin Lin, Arnold HK\$'000 (Note a)	Kwan Shin Luen, Susanna HK\$'000	Chan Sim Ling, Irene HK\$'000 (Note b)	Total HK\$'000
<b>2014</b>									
Fees	150	150	150	150	180	69	180	111	1,140
Other emoluments									
— salaries and other allowances	2,931	2,480	—	—	—	—	—	—	5,411
— bonus (Note c)	300	200	—	—	—	—	—	—	500
— retirement benefits scheme contributions	15	15	—	—	—	—	—	—	30
<b>Total emoluments</b>	<b>3,396</b>	<b>2,845</b>	<b>150</b>	<b>150</b>	<b>180</b>	<b>69</b>	<b>180</b>	<b>111</b>	<b>7,081</b>

	Percy Hughes, Shirley HK\$'000	Lee Che Keung, Danny HK\$'000	Fan Man Wong Chi Fai HK\$'000	Hui Wai 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
<b>2013</b>								
Fees		150	150	150	150	180	180	1,140
Other emoluments								
— salaries and other allowances		2,807	2,405	—	—	—	—	5,212
— bonus (Note c)		500	350	—	—	—	—	850
— retirement benefits scheme contributions		15	15	—	—	—	—	30
<b>Total emoluments</b>	<b>3,472</b>	<b>2,920</b>	<b>150</b>	<b>150</b>	<b>180</b>	<b>180</b>	<b>180</b>	<b>7,232</b>

## Notes:

- Retired at the annual general meeting of New Media held on 18 November 2013 and not offered for re-election.
- Appointed on 18 November 2013.
- The bonus payment is determined with reference to the individual performance in both years.

Ms. Percy Hughes, Shirley is also the Chief Executive of New Media and her emoluments disclosed above include those for services rendered by her as the Chief Executive.

**Employees' emoluments**

Of the five individuals with the highest emoluments in NMG Group, two (2013: two) were directors and the Chief Executive of New Media whose emoluments are included in the disclosures above. The emoluments of the remaining three (2013: three) individuals were as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	7,059	7,412
Contributions to retirement benefits scheme	<u>46</u>	<u>45</u>
	<u><u>7,105</u></u>	<u><u>7,457</u></u>

Their emoluments were within the following bands:

	<b>2014</b>	<b>2013</b>
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,000,001 to HK\$3,500,000	<u>—</u>	<u>1</u>

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

**12. DIVIDENDS**

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Recognised as distribution:		
2014 interim dividend of HK0.25 cent (2013: 2013 interim dividend of HK0.35 cent) per share	2,160	3,024
2013 final dividend of HK0.4 cent (2013: 2012 final dividend of HK0.4 cent) per share	<u>3,456</u>	<u>3,456</u>
	<u><u>5,616</u></u>	<u><u>6,480</u></u>

A final dividend of HK0.13 cent per share in respect of the year ended 30 June 2014 (2013: final dividend of HK0.4 cent per share in respect of the year ended 30 June 2013) has been proposed by the directors and is subject to approval by the shareholders of New Media in the forthcoming annual general meeting.

**13. EARNINGS PER SHARE**

The calculation of basic and diluted earnings per share attributable to the owners of New Media is based on the following data:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>11,019</u>	<u>22,275</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	864,000,000	864,000,000
Effect of dilutive potential ordinary shares from the Pre-IPO Share Option Scheme	<u>N/A</u>	<u>—</u>
Weighted average number of shares for the purpose of diluted earnings per share	<u>864,000,000</u>	<u>864,000,000</u>

No dilutive earnings per share is presented as there was no dilutive potential ordinary shares for the year ended 30 June 2014.

The computation of diluted earnings per share in the prior year did not include New Media's potential dilutive ordinary shares as the exercise price of the share options of New Media was higher than the average market price for New Media's shares up to the expiry date of the share options in 2013.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Machinery and equipment <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>NMG GROUP COST</b>					
At 1 July 2012	267,693	57,309	13,234	54,045	392,281
Additions	—	2,597	1,793	7,440	11,830
Disposals	—	—	(156)	(64)	(220)
At 30 June 2013	267,693	59,906	14,871	61,421	403,891
Additions	—	2,304	1,105	9,774	13,183
Disposals	—	(50)	(614)	(1,529)	(2,193)
At 30 June 2014	267,693	62,160	15,362	69,666	414,881
<b>DEPRECIATION</b>					
At 1 July 2012	1,859	3,486	7,631	35,878	48,854
Provided for the year	7,436	5,676	1,656	9,034	23,802
Eliminated on disposals	—	—	(117)	(54)	(171)
At 30 June 2013	9,295	9,162	9,170	44,858	72,485
Provided for the year	7,436	6,198	1,898	9,440	24,972
Eliminated on disposals	—	(11)	(523)	(1,431)	(1,965)
At 30 June 2014	16,731	15,349	10,545	52,867	95,492
<b>CARRYING VALUES</b>					
At 30 June 2014	<u>250,962</u>	<u>46,811</u>	<u>4,817</u>	<u>16,799</u>	<u>319,389</u>
At 30 June 2013	<u>258,398</u>	<u>50,744</u>	<u>5,701</u>	<u>16,563</u>	<u>331,406</u>

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

Leasehold land and building	Shorter of 36 years and unexpired terms of the relevant lease
Leasehold improvements	Shorter of 10 years and unexpired terms of the relevant lease
Machinery and equipment	5 years
Furniture, fixtures and office equipment	3 to 5 years

The leasehold land and building are situated in Hong Kong and held under medium term lease.

NMG Group has pledged leasehold land and building with a net book value of approximately HK\$250,962,000 (2013: HK\$258,398,000) to secure general undrawn banking facilities amounting to HK\$60,000,000 granted to NMG Group.

## 15. INTANGIBLE ASSETS

	<b>Publishing library</b> <i>HK\$'000</i>	<b>Copyrights in photographs and articles</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>NMG GROUP</b>			
<b>COST</b>			
At 1 July 2012, 30 June 2013 and 30 June 2014	34,690	6,620	41,310
<b>AMORTISATION AND IMPAIRMENT</b>			
At 1 July 2012, 30 June 2013 and 30 June 2014	<u>34,690</u>	<u>6,620</u>	<u>41,310</u>
<b>CARRYING VALUES</b>			
At 30 June 2013 and 30 June 2014	<u>—</u>	<u>—</u>	<u>—</u>

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

NMG Group would publish booklets occasionally using the contents in the publishing library, the photographs and the articles. At 30 June 2009, the management conducted a review of NMG 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 therefore been determined and recognised to the profit or loss for the year ended 30 June 2009.

## 16. GOODWILL

*HK\$'000*

<b>NMG GROUP</b>	
At 1 July 2012, 30 June 2013 and 30 June 2014	<u>695</u>

The goodwill is allocated to the cash generating unit ("CGU") of the magazine operated by Weekend Weekly Publishing Limited ("Weekend Weekly"). The recoverable amount of the CGU is determined from value in use calculations.

NMG 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 11% (2013: 13%) 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 1.0% (2013: 1.5%) per annum. 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 NMG Group determines that there was no impairment of CGU containing goodwill at the end of the reporting period.

## 17. INVESTMENTS IN SUBSIDIARIES

	<b>NEW MEDIA</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments at cost	72,220	72,220
Deemed capital contributions	<u>26,000</u>	<u>—</u>
	<u><u>98,220</u></u>	<u><u>72,220</u></u>

Particulars of the subsidiaries of New Media as at the end of the reporting period are set out in note 31.

## 18. INVENTORIES

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Printing papers	<u>—</u>	<u>545</u>

## 19. TRADE AND OTHER RECEIVABLES

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables from		
— third parties	91,072	100,082
— related companies	<u>362</u>	<u>344</u>
	91,434	100,426
Other receivables, prepayments and deposits	<u>10,482</u>	<u>13,940</u>
	<u><u>101,916</u></u>	<u><u>114,366</u></u>

The related companies are companies ultimately owned by AY Holdings which is held by STC International being the trustee of the AY Trust (of which Dr. Albert Yeung is the founder and a deemed substantial shareholder of New Media).

NMG 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 New Media 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, which approximated the respective revenue recognition date:

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0–30 days	60,721	35,118
31–90 days	23,487	43,723
Over 90 days	<u>7,226</u>	<u>21,585</u>
	<u>91,434</u>	<u>100,426</u>

Included in NMG Group's trade receivable balance are debtors with a carrying amount of approximately HK\$42,703,000 (2013: HK\$50,987,000), which are past due at the end of the reporting period for which NMG Group has not provided allowance as there has not been a significant change in credit quality and NMG Group believes that the amounts are still considered recoverable. For the remaining trade receivables that are neither past due nor impaired, NMG Group believes that the amounts are considered recoverable with reference to their historical payment records and business relationship. NMG Group does not hold any collateral over these balances.

#### Ageing of trade receivables which are past due but not impaired

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 90 days	39,420	47,108
91 to 180 days	2,598	3,879
Over 180 days	<u>685</u>	<u>—</u>
	<u>42,703</u>	<u>50,987</u>

#### Movement in the allowance for doubtful debts

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	607	28
Amounts written off as uncollectible	(290)	(146)
Increase in allowance charged to profit or loss	<u>60</u>	<u>725</u>
Balance at end of the year	<u>377</u>	<u>607</u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$377,000 (2013: HK\$607,000). Since the management considered the prolonged outstanding balances from individual customers were in doubt, full impairment has been made on these balances. NMG Group does not hold any collateral over these balances.



In determining the recoverability of the trade receivables, NMG 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.

## 20. AMOUNTS DUE FROM/TO SUBSIDIARIES

### NEW MEDIA

During the year, New Media revised its estimates on repayments of amounts due from subsidiaries and adjusted the carrying amounts to be stated under current and non-current assets in accordance with the revised estimated cash flows on regular basis. At the end of the reporting period, New Media calculated the estimated future cash flows on amounts due from subsidiaries of HK\$201,000,000 (2013: nil) at effective interest rate of 2.39% and recognised deemed capital contributions of HK\$26,000,000 due to fair value adjustment. The remaining balance is unsecured, interest-free and will be repaid in the next twelve months after the end of the reporting period.

## 21. BANK BALANCES AND CASH

### NMG GROUP

The bank balances and cash comprises cash on hand and short term bank deposits with original maturity of three months or less carry interest at market rates ranging from 0.001% to 3.25% (2013: 0.001% to 0.55%) per annum.

### NEW MEDIA

The bank balances carry interest at market rates ranging from 0.001% to 0.70% (2013: 0.001% to 0.55%) per annum.

## 22. TRADE AND OTHER PAYABLES

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables to		
— third parties	25,894	33,802
— related companies	<u>154</u>	<u>696</u>
	26,048	34,498
Other payables and accrued charges	<u>24,672</u>	<u>25,144</u>
	<u><u>50,720</u></u>	<u><u>59,642</u></u>

The related companies are companies ultimately owned by AY Holdings which is held by STC International being the trustee of the AY Trust (of which Dr. Albert Yeung is the founder and a deemed substantial shareholder of New Media).

NMG 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:

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Age		
0–90 days	25,638	32,139
91–180 days	211	1,900
Over 180 days	<u>199</u>	<u>459</u>
	<u>26,048</u>	<u>34,498</u>

### 23. DEFERRED TAXATION

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

	<b>Accelerated</b>	<b>Tax losses</b>	<b>Total</b>
	<b>tax</b>		
	<b>depreciation</b>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NMG GROUP</b>			
At 1 July 2012	4,378	(1,512)	2,866
(Credit) charge to profit or loss for the year	<u>(885)</u>	<u>1,157</u>	<u>272</u>
At 30 June 2013	3,493	(355)	3,138
Credit to profit or loss for the year	<u>(483)</u>	<u>(80)</u>	<u>(563)</u>
At 30 June 2014	<u>3,010</u>	<u>(435)</u>	<u>2,575</u>

For the purpose of presentation of consolidated statement of financial position, deferred tax assets and liabilities have been offset.

At 30 June 2014, NMG Group has unused tax losses of approximately HK\$40,453,000 (2013: HK\$45,600,000) available for offset against future profits. At 30 June 2014, a deferred tax asset had been recognised in respect of approximately HK\$2,635,000 (2013: HK\$2,152,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$37,818,000 (2013: HK\$43,448,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses at 30 June 2014 are losses of approximately HK\$1,145,000 (2013: HK\$2,193,000) that will expire within 5 years from the year of originating. Other tax losses may be carried forward indefinitely. There were no other significant temporary differences arising during the period or at the end of the reporting period.

## 24. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
At 1 July 2012, 30 June 2013 and 1 July 2013		
— Ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>
At 30 June 2014 ( <i>Note</i> )	N/A	N/A
Issued and fully paid:		
At 1 July 2012, 30 June 2013 and 1 July 2013		
— Ordinary shares of HK\$0.01 each	864,000,000	8,640
Transfer from share premium upon abolition of par value	<u>—</u>	<u>273,631</u>
At 30 June 2014		
— Ordinary shares with no par value ( <i>Note</i> )	<u>864,000,000</u>	<u>282,271</u>

*Note:* Under the Hong Kong Companies Ordinance, with effect from 3 March 2014, the concept of authorised share capital no longer exists and New Media's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

## 25. SHARE OPTION SCHEMES

## (a) Share option scheme

Pursuant to the written resolutions passed by the then sole shareholder of New Media on 18 January 2008, New Media adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable NMG Group to grant options to selected participants as incentives or rewards for their contribution to NMG Group. Under the Share Option Scheme, the Directors may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director but excluding any non-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 NMG Group or its investee companies to take up options to subscribe for shares in New Media representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of New Media 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 New Media issued share capital, without prior approval from New Media's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of New Media's shares in issue and with a value in excess of HK\$5,000,000 must be approved by New Media'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 and will be not less than the highest of the closing price of New Media's shares on the date of grant, the average closing prices of New Media's shares for the five business days immediately preceding the date of grant and the nominal value of New Media's shares.

No option was granted by New Media under the Share Option Scheme since its adoption and up to 30 June 2014.

**(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 NMG Group to the growth and development of NMG Group and the listing of the shares of New Media on 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 18 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 New Media;
- (ii) the rules of the Pre-IPO Share Option Scheme were adopted unconditionally by a resolution in writing passed by the sole shareholder on 18 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 New Media.

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

A summary and movement of the share options, which have been granted to the Directors under the Pre-IPO Share Option Scheme, is as follows:

Date of grant	Exercisable period	Exercise price HK\$	Outstanding at 1.7.2011 and 30.6.2012	Lapsed during the year	Outstanding at 30.6.2013
18.1.2008	12.2.2009–12.2.2013	0.68	<u>7,500,000</u>	<u>(7,500,000)</u>	<u>—</u>

The share options granted under the Pre-IPO Share Option Scheme was lapsed on 13 February 2013.

**26. RESERVES****NMG GROUP**

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

**(a) Share premium**

On 11 February 2008, 440,000,000 new ordinary shares of HK\$0.01 each were allotted and issued as fully paid at par to the then sole shareholder of New Media on the register of members of New Media at the close of business on 18 January 2008, by way of capitalisation of the sum of HK\$4,400,000 standing to the credit of the share premium account of New Media, conditional on the share premium account being credited as a result of placing and public offer of shares. Accordingly, an amount of HK\$4,400,000 was debited in the share premium account.

On 11 February 2008, New Media issued 150,000,000 shares of HK\$0.01 each at a price of HK\$0.68 per share by way of placing to professional, institutional and private investors and public offer to the public. The proceeds received were net off by the expenses directly attributable to the issue of these shares amounting to HK\$5,681,000. Accordingly, a net amount of HK\$94,819,000 was credited in the share premium account.

On 29 September 2010, New Media Investment, the controlling shareholder of New Media, through the placing agent, agreed to place 120,000,000 shares of New Media (the “Placing”) to independent investors at a price of HK\$0.75 per share, and also agreed to subscribe for 120,000,000 new shares of New Media (the “Top-Up Shares”) at the price of HK\$0.75 per share (the “Top-Up Subscription”) conditional upon the completion of the Placing. The Placing was completed on 6 October 2010. On 8 October 2010, New Media issued 120,000,000 shares of HK\$0.01 each at a price of HK\$0.75 per share by the Top-Up Subscription. The proceeds received were net off by the expenses directly attributable to the issue of these shares amounting to HK\$1,929,000. Accordingly, a net amount of HK\$86,871,000 was credited in the share premium account.

On 18 July 2011, New Media issued 144,000,000 shares of HK\$0.01 each at a price of HK\$0.696 per share in relation to the offering and listing of 28,800,000 units of TDRs. The proceeds received amounting to TWD374,400,000 (equivalent to HK\$100,858,000) were net off by the expenses attributable to the issue of these shares amounting to HK\$3,077,000. Accordingly, a net amount of HK\$96,341,000 was credited in the share premium account.

Pursuant to the new Hong Kong Companies Ordinance which has become effective on 3 March 2014, the share premium amounting to HK\$273,631,000 was transferred to share capital upon abolition of par value (note 24).

**(b) *Special reserve***

The special reserve of NMG Group represented the differences between the aggregate amount of share capital and share premium of the relevant subsidiaries and the nominal value of New Media’s shares issued for the acquisition at the time of a group reorganisation scheme (the “Group Reorganisation”).

**(c) *Capital contribution reserve***

The amount of HK\$695,000 was arising from the acquisition of additional 15% equity interest in Weekend Weekly by Top Queen Investments Limited (“Top Queen”) from a non-controlling shareholder in 2006 and deemed as capital contribution to NMG Group.

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

## NEW MEDIA

	<b>Share premium</b> <i>HK\$'000</i>	<b>Merger reserve</b> <i>HK\$'000</i>	<b>Share options reserve</b> <i>HK\$'000</i>	<b>Accumulated profits</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 July 2012	273,631	72,120	2,565	39,168	387,484
Loss and total comprehensive expense for the year	—	—	—	(407)	(407)
Final dividend paid for 2012	—	—	—	(3,456)	(3,456)
Interim dividend paid for 2013	—	—	—	(3,024)	(3,024)
Transfer upon lapse of share options	—	—	(2,565)	2,565	—
At 30 June 2013	273,631	72,120	—	34,846	380,597
Profit and total comprehensive income for the year	—	—	—	360	360
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	(273,631)	—	—	—	(273,631)
Final dividend paid for 2013	—	—	—	(3,456)	(3,456)
Interim dividend paid for 2014	—	—	—	(2,160)	(2,160)
At 30 June 2014	<u>—</u>	<u>72,120</u>	<u>—</u>	<u>29,590</u>	<u>101,710</u>

The merger reserve of New Media represented the difference between the consolidated net assets of the subsidiaries at the date of NMG Group Reorganisation and the nominal amount of New Media's shares issued.

At 30 June 2014, New Media's reserves available for distribution was HK\$29,590,000 (2013: HK\$34,846,000) as calculated.

**27. OPERATING LEASE COMMITMENT**

At the end of the reporting period, NMG Group was committed to make the following future minimum lease payments in respect of related premises and machineries under non-cancellable operating leases which fall due as follows:

	<b>NMG GROUP</b>	
	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,003	2,637
In the second to fifth year inclusive	<u>8,949</u>	<u>8,795</u>
	<u><u>11,952</u></u>	<u><u>11,432</u></u>

The leases are from one to five years. All leases are on a fixed payment basis.

**28. CONTINGENT LIABILITIES**

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

At the end of the reporting period, New Media did not have significant contingent liabilities.

**29. RETIREMENT BENEFITS SCHEME**

NMG Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the scheme are held separately from those of NMG Group, in funds under the control of trustees. NMG Group contributes the lower of 5% of the relevant payroll costs or HK\$1,250 for the period from 1 July 2013 to 31 May 2014 and HK\$1,500 effective from 1 June 2014 (2013: HK\$1,250) per employee to the scheme, which contribution is matched by employees.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK\$7,417,000 (2013: HK\$7,053,000) represents contributions payable to this scheme by NMG Group in respect of the current accounting period.

**30. RELATED PARTY TRANSACTIONS**

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

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Advertising income received ( <i>Note 1</i> )	2,756	1,764
Advertising expenses paid ( <i>Note 2</i> )	398	—
Artists sponsorship fee paid ( <i>Note 2</i> )	1	—
Entertainment expenses paid ( <i>Note 2</i> )	9	13
Financial services fee paid ( <i>Note 2</i> )	360	360
Overseas travelling expenses paid ( <i>Note 2</i> )	12	81
Photoshooting income received ( <i>Note 2</i> )	35	94
Printing costs paid ( <i>Note 1</i> )	1,511	1,587
Project income received ( <i>Note 2</i> )	328	172
Reimbursement of administrative expense paid ( <i>Note 2</i> )	2,652	2,291
Rental charges paid ( <i>Note 2</i> )	18	20
Secretarial services fee paid ( <i>Note 2</i> )	280	280
Sundry income received ( <i>Note 2</i> )	—	33
	<u>          </u>	<u>          </u>

The related companies are companies either controlled by one of New Media's directors, or ultimately owned and controlled by AY Holdings which is held by STC International being the trustee of the AY Trust (of which Dr. Albert Yeung is the founder and a deemed substantial shareholder of New Media).

*Notes:*

- (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.
- (2) These transactions are connected transactions exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31 of the Listing Rules.

**(b) Compensation of key management personnel**

The emoluments of directors and other members of key management during the year were as follows:

	<b>2014</b>	<b>2013</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term benefits	7,051	7,202
Post-employment benefits	<u>          30</u>	<u>          30</u>
	<u>          7,081</u>	<u>          7,232</u>



## 31. SUBSIDIARIES

Particulars of the subsidiaries of New Media as at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Attributable equity interest held by New Media		Principal activities
			2014	2013	
<b>Directly held</b>					
New Media Enterprise Investment Limited	BVI	US\$11	100%	100%	Investment holding
<b>Indirectly held</b>					
Economic Digest Publishing Limited	Hong Kong	HK\$2	100%	100%	Book publishing agent
Jade Talent Holdings Limited	BVI	US\$1	100%	100%	Investment holding
Media Publishing Limited	Hong Kong	HK\$2	100%	100%	Magazine and book publishing
New Media Group Digital Services Limited	Hong Kong	HK\$2	100%	100%	Digital business and provision of magazine content
New Media Group Publishing Limited	Hong Kong	HK\$800,000	100%	100%	Magazine publishing
New Monday Publishing Limited	Hong Kong	HK\$2	100%	100%	Magazine publishing
Reach Gain Limited	Hong Kong	HK\$1	100%	100%	Digital business
Time Year Limited	Hong Kong	HK\$2	100%	100%	Copyright holding and licensing business
Weekend Weekly Publishing Limited	Hong Kong	HK\$100	100%	100%	Magazine publishing
Winning Treasure Limited	Hong Kong	HK\$1	100%	100%	Property holding
廣東薪傳出版技術開發有限公司*	PRC	RMB6,500,000	100%	100%	Provision of magazine contents and digital business development services

\* The subsidiary is a wholly foreign owned enterprise.

None of the subsidiaries of New Media had issued any debt securities at the end of the reporting period.

### 3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS OF NMG GROUP

Set out below are the unaudited consolidated financial results of NMG Group for the six months ended 31 December 2014 with the relevant comparative figures, as extracted from the announcement of the interim results of New Media dated 16 February 2015.

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 31 December 2014 (the "Period")*

	<i>Notes</i>	<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2014</b>	2013
		<b>(unaudited)</b>	(unaudited)
		<b>HK\$'000</b>	HK\$'000
Turnover	4	<b>222,065</b>	256,969
Direct operating costs		<u><b>(147,540)</b></u>	<u>(165,319)</u>
Gross profit		<b>74,525</b>	91,650
Other income		<b>1,175</b>	779
Selling and distribution costs		<b>(33,368)</b>	(37,097)
Administrative expenses		<u><b>(38,891)</b></u>	<u>(35,088)</u>
Profit before taxation		<b>3,441</b>	20,244
Income tax expense	6	<u><b>(471)</b></u>	<u>(2,978)</u>
Profit and total comprehensive income for the Period		<u><b>2,970</b></u>	<u>17,266</u>
Earnings per share — Basic	8	<u><b>HK0.34 cent</b></u>	<u>HK2.00 cents</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

		As at	
		31 December 2014 (unaudited) HK\$'000	30 June 2014 (audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	9	309,859	319,389
Intangible assets		—	—
Goodwill		<u>695</u>	<u>695</u>
		<u><b>310,554</b></u>	<u><b>320,084</b></u>
Current assets			
Trade and other receivables	10	109,805	101,916
Income tax recoverable		996	—
Bank balances and cash		<u>93,151</u>	<u>90,238</u>
		<u><b>203,952</b></u>	<u><b>192,154</b></u>
Current liabilities			
Trade and other payables	11	54,678	50,720
Income tax payable		<u>—</u>	<u>2,883</u>
		<u><b>54,678</b></u>	<u><b>53,603</b></u>
Net current assets		<u><b>149,274</b></u>	<u><b>138,551</b></u>
Total assets less current liabilities		<u><b>459,828</b></u>	<u><b>458,635</b></u>
Non-current liability			
Deferred tax liability		<u>1,921</u>	<u>2,575</u>
Net assets		<u><b>457,907</b></u>	<u><b>456,060</b></u>
Capital and reserves			
Share capital		282,271	282,271
Reserves		<u>175,636</u>	<u>173,789</u>
Total equity		<u><b>457,907</b></u>	<u><b>456,060</b></u>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 31 December 2014*

**1. BASIS OF PRESENTATION**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2014 are the same as those followed in the preparation of NMG Group’s annual financial statements for the year ended 30 June 2014.

In the current interim period, NMG Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle
HK(IFRIC*) - INT 21	Levies

\* IFRIC represents the International Financial Reporting Interpretations Committee

The application of the new interpretation and amendments to HKFRSs in the current period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

**3. SEGMENT INFORMATION****Segment revenue and results**

The chief operating decision maker (the “CODM”), who are the executive directors of NMG Group, regularly review revenue and operating results derived from services on publication of advertisements, sales of magazines and books, digital business services and provision of magazine content on an aggregated basis and consider them as one single operating segment. The turnover and profit before taxation in the condensed consolidated statement of profit or loss and other comprehensive income represent the segment turnover and segment result, respectively.

No analysis of segment assets or segment liabilities is regularly provided to the CODM for review.

**Other segment information***Turnover from major products and services*

NMG Group principally engages in magazine publishing and generates advertising income, circulation income, digital business income and income from provision of magazine content. Details are disclosed in note 4.

**Geographical information**

The Group's revenue from external customers based on the location where the sales occurred and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	31 December		As at	As at
	Six months ended		31 December	30 June
	2014	2013	2014	2014
	(unaudited)	(unaudited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	221,405	255,815	309,137	318,266
People's Republic of China	660	1,154	1,417	1,818
	<u>222,065</u>	<u>256,969</u>	<u>310,554</u>	<u>320,084</u>

**Information about major customers**

Revenues from customers of the corresponding period contributing over 10% of the total sales of the Group are as follows:

	Six months ended	
	31 December	
	2014	2013
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Customer A	31,828	38,056
Customer B	<u>21,686</u>	<u>28,772</u>

Customer A is the sole distributor of the magazines published by the Group and Customer B is an advertising agency, which contribute circulation income and advertising income respectively to the Group.

**4. TURNOVER**

Turnover represents the amounts received and receivable during the Period. An analysis of the Group's turnover for the Period is as follows:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Advertising income	<b>174,516</b>	208,437
Circulation income	<b>36,617</b>	38,538
Digital business income	<b>9,815</b>	8,627
Provision of magazine content	<b>1,117</b>	1,367
	<b><u>222,065</u></b>	<u>256,969</u>

**5. DEPRECIATION**

During the Period, depreciation in respect of the Group's property, plant and equipment amounting to HK\$12,411,000 (six months ended 31 December 2013: HK\$12,370,000) were charged to profit or loss of NMG Group.

**6. INCOME TAX EXPENSE**

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2014</b>	2013
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 16.5% of the estimated assessable profits for the Period	<b>1,125</b>	3,295
Deferred taxation credit	<b>(654)</b>	(317)
	<b><u>471</u></b>	<u>2,978</u>

**7. DIVIDENDS**

During the Period, a final dividend of HK0.13 cent per share amounted to HK\$1,123,000 for the year ended 30 June 2014 (six months ended 31 December 2013: final dividend of HK0.4 cent per share amounted to HK\$3,456,000) was paid to shareholders.

No interim dividend was paid during the Period. An interim dividend of HK0.25 cent per share was paid to shareholders for the six months ended 31 December 2013.

**8. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit attributable to the owners of the Company for the Period of HK\$2,970,000 (six months ended 31 December 2013: HK\$17,266,000) and the weighted average number of 864,000,000 shares (six months ended 31 December 2013: 864,000,000 shares) for the Period.

No diluted earnings per share is presented as there was no dilutive potential ordinary shares for the period ended 31 December 2014 and 31 December 2013.

**9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT**

During the Period, NMG Group acquired property, plant and equipment amounting to approximately HK\$2,943,000 (six months ended 31 December 2013: HK\$6,125,000).

**10. TRADE AND OTHER RECEIVABLES**

	As at	
	31 December 2014 (unaudited) HK\$'000	30 June 2014 (audited) HK\$'000
Trade receivables from		
— third parties	98,414	91,072
— related companies	<u>428</u>	<u>362</u>
	98,842	91,434
Other receivables, prepayments and deposits	<u>10,963</u>	<u>10,482</u>
	<u><u>109,805</u></u>	<u><u>101,916</u></u>

The related companies are companies ultimately controlled by selling shareholder which is held by STC International Limited (“STC International”) being the trustee of The Albert Yeung Discretionary Trust (the “AY Trust”) (of which Dr. Yeung Sau Shing, Albert (“Dr. Albert Yeung”) is the founder and a deemed substantial shareholder of New Media).

NMG 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 NMG Group 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 end of the reporting period, which approximated the respective revenue recognition date:

	As at	
	31 December 2014 (unaudited) <i>HK\$'000</i>	30 June 2014 (audited) <i>HK\$'000</i>
Age		
0 – 30 days	44,735	60,721
31 – 90 days	34,784	23,487
Over 90 days	<u>19,323</u>	<u>7,226</u>
	<u><b>98,842</b></u>	<u><b>91,434</b></u>

#### 11. TRADE AND OTHER PAYABLES

	As at	
	31 December 2014 (unaudited) <i>HK\$'000</i>	30 June 2014 (audited) <i>HK\$'000</i>
Trade payables to		
— third parties	22,636	25,894
— related companies	<u>1,030</u>	<u>154</u>
	<b>23,666</b>	26,048
Other payables and accrued charges	<u>31,012</u>	<u>24,672</u>
	<u><b>54,678</b></u>	<u><b>50,720</b></u>

The related companies are companies ultimately controlled by selling shareholder which is held by STC International being the trustee of the AY Trust (of which Dr. Albert Yeung is the founder and a deemed substantial shareholder of New Media).



NMG 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 invoice dates at the end of the reporting period:

Age	As at	
	31 December 2014 (unaudited) HK\$'000	30 June 2014 (audited) HK\$'000
0 - 90 days	23,152	25,638
91 - 180 days	301	211
Over 180 days	<u>213</u>	<u>199</u>
	<u><u>23,666</u></u>	<u><u>26,048</u></u>

#### 4. INDEBTEDNESS

As at the close of business on 31 December 2014, being the latest practicable date for the purpose of ascertaining the indebtedness of NMG Group prior to the printing of this Composite Document, NMG Group had no outstanding borrowings.

Apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 31 December 2014, NMG Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

#### 5. MATERIAL CHANGE

Saved as the completion of the Disposals and the substantial decrease in the profit attributable to the owners of NMG Group as compared with that for the corresponding period ended 31 December 2013, the Directors have confirmed that they were not aware of any material change in the financial or trading position of NMG Group since 30 June 2014, being the date to which the latest published audited accounts of New Media were made up to. The decrease in the profit for the six-month period ended 31 December 2014 was mainly due to the drop in the advertising income as the demand for print advertising declined during the period. Details of the financial result of NMG Group for the six-month ended 31 December 2014 was set out in the announcement of interim results of New Media dated 16 February 2015.

## 1. RESPONSIBILITY STATEMENT

The information contained herein relating to Evergrande and the Offeror, the terms of the Offer and the intentions of the Offeror in respect of the Remaining Group have been supplied by the directors of Evergrande and the Offeror, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document relating to Evergrande, the Offeror, the terms and conditions of the Offer and the intentions of the Offeror in respect of the Remaining Group and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by NMG Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

The information contained herein, other than information relating to Evergrande, the Offeror, the terms of the Offer and intentions of the Offeror in respect of the Remaining Group, has been supplied by the Directors, who jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document the omission of which would make any statement contained herein misleading.

## 2. SHARE CAPITAL

The issued share capital of New Media as at the Latest Practicable Date were as follows:

<i>Issued Shares</i>	<i>HK\$</i>
<u>864,000,000</u> Shares	<u>282,271,018</u>

Save for the Shares, New Media has no outstanding securities, options, derivatives, warrants and other convertible securities or rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. New Media has not issued any Shares since 30 June 2014, the date to which the latest audited financial statements of New Media were made up.

### 3. DISCLOSURE OF INTEREST

#### Substantial Shareholders (within the meaning of the SFO)

As at the Latest Practicable Date, details of interests in the Shares, underlying shares, debentures or other relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of New Media held or controlled by the Offeror and parties acting in concert with it are as follows:

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate % of interest
The Offeror	Beneficial owner	647,950,000	74.99%
Evergrande ( <i>Note 1</i> )	Interest of controlled corporation	647,950,000	74.99%

*Note:*

1. Evergrande indirectly holds the entire issued share capital of the Offeror and is deemed to be interested in the Shares held by the Offeror.

Save for the New Media Sale Shares purchased under the Share Purchase Agreement and any Shares validly tendered for acceptance under the Offer, there was no agreement, arrangement or understanding that the securities acquired in pursuance of the Offer would be transferred, charged or pledged to any other persons.

Save as disclosed above, as at the Latest Practicable Date, none of the Offeror and parties acting in concert with it had any interest in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of New Media.

### 4. ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

- (a) As at the Latest Practicable Date, none of the directors of the Offeror had any interests in any Shares, convertible securities, warrants, options or derivatives of New Media, or had dealt for value in any shares, convertible securities, warrants, options or derivatives of New Media during the Relevant Period.

- (b) Save for the 647,950,000 Shares owned by the Offeror, none of the Offeror or any persons acting in concert with it owned or controlled any Shares, convertible securities, warrants, options or derivatives of New Media as at the Latest Practicable Date, and save for the entering into of the Share Purchase Agreement and the transactions contemplated thereunder (which was completed on 27 February 2015), none of the Offeror or any persons acting in concert with it had dealt for value in any such securities during the Relevant Period.
- (c) As at the Latest Practicable Date, no person had irrevocably committed himself to accept or reject the Offer.
- (d) As at the Latest Practicable Date, none of the Offeror or any of the parties acting in concert with it, had entered into any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any other persons.
- (e) As at the Latest Practicable Date, none of the Offeror or any of the parties acting in concert with it, had borrowed or lent any Shares or any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in New Media.
- (f) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or was dependent upon the Offer.
- (g) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer.
- (h) As at the Latest Practicable Date, there was no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code between the Offeror, any person acting in concert with it or the Offeror's associate, and any other person.
- (i) As at the Latest Practicable Date, New Media did not have any beneficial interest in the shares, convertible securities, warrants, options and derivatives of the Offeror and Evergrande, and New Media had not dealt for value in any shares, convertible securities, warrants, options or derivatives of the Offeror and Evergrande during the Relevant Period.
- (j) As at the Latest Practicable Date, none of the Directors had any interests in any shares, convertible securities, warrants, options or other derivatives of New Media, the Offeror or Evergrande. None of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of New Media, the Offeror or Evergrande during the Relevant Period.

- (k) None of (i) the subsidiaries of New Media; (ii) the pension fund of New Media or of a subsidiary of New Media; or (iii) any advisers to New Media (as specified in class (2) of the definition of “associate” under the Takeovers Code) had any interest in the Shares, convertible securities, warrants, options or derivatives of New Media as at the Latest Practicable Date, and save as the non-discretionary dealings in New Media for and on behalf of its individual clients by Emperor Securities Limited (which is an associate of New Media under class (2) of the definition of “associate” under the Takeovers Code) none of them had dealt in any Shares, convertible securities, warrants, options or derivatives of New Media during the Relevant Period.
- (l) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with New Media or with any person who is an associate of New Media by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of New Media during the Relevant Period.
- (m) No Shares, convertible securities, warrants, options or derivatives of New Media were managed on a discretionary basis by any fund managers connected with New Media as at the Latest Practicable Date, and no such person had dealt in any Shares, convertible securities, warrants, options or derivatives of New Media during the Relevant Period.
- (n) As at the Latest Practicable Date, no Shares or other securities of New Media carrying voting rights or convertible securities, warrants, options or derivatives of New Media had been borrowed or lent by any of the Directors or by New Media.
- (o) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or will be given to any Director as compensation for loss of office in any members of NMG Group or otherwise in connection with the Offer.
- (p) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the Offer.
- (q) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director has a material personal interest.
- (r) As at the Latest Practicable Date, none of the Directors held any beneficial shareholdings in New Media which would otherwise entitle them to accept or reject the Offer.

## 5. MARKET PRICES

The table below sets out the closing prices of the Shares on the Stock Exchange on (i) the last Business Day of each of the calendar months during the Relevant Period; (ii) the Last Trading Day immediately preceding the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

<b>Date</b>	<b>Closing price (HK\$)</b>
30 May 2014	0.270
30 June 2014	0.270
31 July 2014	0.300
29 August 2014	0.285
30 September 2014	0.320
31 October 2014	0.350
13 November 2014 (being the last trading day immediately preceding the commencement of the Offer Period)	0.475
24 November 2014 (being the Last Trading Day)	4.500
28 November 2014	suspended
31 December 2014	3.550
30 January 2015	2.120
27 February 2015	3.980
3 March 2015 (being the Latest Practicable Date)	3.720

During the Relevant Period, the highest closing price of the Shares as quoted on the Stock Exchange was HK\$5.580 per Share on 24 November 2014 and the lowest closing price of the Shares as quoted on the Stock Exchange was HK\$0.241 per Share on 14 March 2014 and 16 May 2014.

## 6. LITIGATION

Neither New Media nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against New Media or any of its subsidiaries as at the Latest Practicable Date.

## 7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the NMG Group within the two years preceding the issue of this Composite Document and are or may be material:

- (a) the Property Disposal Agreement. The Property Disposal Agreement was conditional upon the approval of the transaction by the Independent Shareholders and such approval was duly obtained on 13 February 2015. The Property Disposal Agreement was completed on 27 February 2015 at a consideration of approximately HK\$414.7 million. Details of the Property Disposal Agreement were set out in the circular of New Media dated 29 January 2015;
- (b) the New Media 9.99% Share Disposal Agreement. The New Media 9.99% Share Disposal Agreement was conditional upon the approval of the transaction by the Independent Shareholders and such approval was duly obtained on 13 February 2015. The New Media 9.99% Share Disposal Agreement was completed on 27 February 2015 at a consideration of approximately HK\$10.3 million. Details of the New Media 9.99% Share Disposal Agreement were set out in the circular of New Media dated 29 January 2015; and
- (c) the tenancy agreement dated 23 January 2015 entered into between Winning Treasure Limited and New Media Group Publishing Limited in relation to the Leaseback for a term of 3 years with effect from 27 February 2015 at a monthly rental of HK\$1,225,000. Details of the Leaseback are set out in the circular of New Media dated 29 January 2015.

## 8. EXPERTS AND CONSENTS

The following are the qualifications of the experts contained in this Composite Document:

Name	Qualification
Somerley Capital	a licensed corporation permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Messis Capital	A licensed corporation under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

Each of Somerley Capital and MESSIS Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of the text of its letter and/or report and/or the reference to its name in the form and context in which they appear herein.

As at the Latest Practicable Date, none of Somerley Capital and Messis Capital had any shareholding in any member of NMG Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of NMG Group.

## 9. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, there were no service contracts with NMG Group in force for the Directors (i) which (including both continuous and fixed terms contracts) have been entered into or amended within 6 months before the commencement of the Offer period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) on the website of New Media ([www.nmg.com.hk](http://www.nmg.com.hk)); (ii) on the website of the SFC ([www.sfc.hk](http://www.sfc.hk)) and; (iii) at the registered office of New Media at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong from 6 March 2015, being the date of this Composite Document up to and including the Closing Date or the date on which the Offer is extended or revised (whichever is earlier):

- (a) the articles of association of New Media;
- (b) the memorandum and articles of association of the Offeror;
- (c) the annual reports of New Media for the year ended 30 June 2013 and the year ended 30 June 2014;
- (d) the annual report of Evergrande for the year ended 31 December 2012 and the year ended 31 December 2013;
- (e) the interim report of Evergrande of the six months ended 30 June 2014;
- (f) the letter from Somerley Capital, the text of which is set out on pages 6 to 13 of this Composite Document;
- (g) the letter from the Board, the text of which is set out on pages 14 to 18 of this Composite Document;
- (h) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages IBC-1 to IBC-2 of this Composite Document;
- (i) the letter from Messis Capital to the Independent Board Committee, the text of which is set out on pages IFA-1 to IFA-20 of this Composite Document;
- (j) the written consents referred to under the paragraph headed “Experts and consents” in this Appendix III; and



- (k) the material contracts referred to under the paragraph headed “Material contracts” in this Appendix III.

## 11. MISCELLANEOUS

As at the Latest Practicable Date:

- (a) The principal members of the Offeror’s concert group includes the Offeror and Evergrande whose respective addresses are as follows:
  - (i) the registered address of the Offeror is at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands;
  - (ii) the correspondence address of the Offeror is at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong;
  - (iii) the registered office of Evergrande is at P.O. Box 1586, Royal Bank House, Grand Cayman, KY1-1110, Cayman Islands; and
  - (iv) the correspondence address of Evergrande is at Suites 1501–1507, One Pacific Place, 88 Queensway, Hong Kong.
- (b) The registered office and correspondence address of Somerley Capital is situated at 20th Floor, China Building, 29 Queen’s Road Central, Hong Kong.
- (c) The registered office and correspondence address of Mesis Capital is situated at Room 1606, 16/F., Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.
- (d) The English text of this Composite Document and the accompanying Form of Acceptance and Transfer shall prevail over their respective Chinese text in case of inconsistency.