Annual Report 2006 年報

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Corporate Information

Executive Directors
Mr. TIONG Kiu King (Chairman)
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK
Mr. TUNG Siu Ho, Terence
Mr. Robert William Hong-San YUNG

Independent Non-executive Directors
Mr. YU Hon To, David
Mr. SIT Kien Ping, Peter
Mr. TAN Hock Seng, Peter

Audit Committee
Mr. YU Hon To, David (Chairman)
Mr. SIT Kien Ping, Peter
Mr. TAN Hock Seng, Peter

Remuneration Committee
Mr. SIT Kien Ping, Peter (Chairman)
Mr. YU Hon To, David
Mr. TAN Hock Seng, Peter
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK

Nomination Committee
Mr. TAN Hock Seng, Peter (Chairman)
Mr. YU Hon To, David
Mr. SIT Kien Ping, Peter
Mr. TIONG Kiew Chiong
Mr. Peter Bush BRACK

Company Secretary
Mr. LAM Pak Cheong

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Auditors
PricewaterhouseCoopers

Solicitors
Or, Ng & Chan

Head Office and Principal Place of Business in Hong Kong
15th Floor, Block A
Ming Pao Industrial Centre
18 Ka Yip Street, Chai Wan
Hong Kong

Registered Office
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Principal Share Registrar and Transfer Office
Appleby Corporate Services (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350 GT
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Stock Code
426

Website
www.omghk.com

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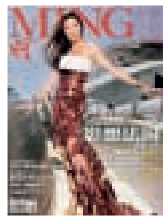
Group's Principal Activities

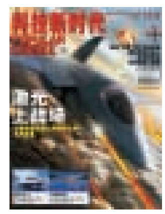
万 华 媒 体
ONEMEDIAGROUP

- Fashion & Entertainment


- Information Technology





- Automotive

- Children

Chairman's Statement

Mr. TIONG Kiu King
Chairman

On behalf of the directors and shareholders of One Media Group Limited (the "Company"), I am pleased to announce the results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2006. This financial year was a milestone for the Group, as we successfully spun off from Ming Pao Enterprise Corporation Limited ("MPE") (stock code: 685) and listed our shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 18th October 2005 (the "Listing Date"). With fresh capital injected into the Company as a result of our listing and the beginning of a new chapter in our growth, I continue to be optimistic for the future of our lifestyle media business.

This financial year was a significant turning point for the Group as we launched key growth initiatives to further solidify our foundation for future expansion. As we outlined in the prospectus dated 30th September 2005 issued by the Company regarding the initial public offering ("IPO"), the Company intends to use up to approximately 50% of the proceeds from our IPO to acquire magazine businesses as well as to launch additional magazines in the People's Republic of China ("PRC"). In order to successfully implement this strategy, careful preparation was required to insure that the stage for expansion was set. In this financial year, we initiated and executed this strategy on several fronts.

Magazines

In 2006, in cooperation with our local partners, we launched two new magazines in the PRC market, "*MING 青春之星*" ("MING") and "*Rolling Stone 音像世界*" ("RS"). Both of these titles generated positive feedback from readers in our major markets and garnered strong advertiser support. These latest titles represent additional future revenue streams that have attracted new and existing advertising clients while further capitalizing on our cross selling capabilities with our current portfolio of magazines. We are optimistic about the future contributions of these titles to the operating performance of our business in China.

Infrastructure

2005 saw the opening of new sales offices in Shanghai and Guangzhou, as well as new premises in Beijing for the corporate headquarter of our China operation. This expansion strategically positions the Group to fully realize the advantage of the large number of advertising clients in those markets and to better serve them from regional offices staffed with local professionals. I believe that this expanded sales and operational structure will have a positive impact on revenues over the long term.

Management

In 2005, we made several key hires in our Hong Kong, Beijing, and Shanghai offices in the areas of sales, marketing, content localisation, and general management. I am particularly pleased that we were able to bring on board an experienced Chief Operating Officer for our China operation. The recent additions to our human resources mark another significant building block to further solidify our foundation for expansion. Our ability to attract top-tier individuals who will be pivotal contributors to the Company clearly indicates our commitment to the future growth and success of the Group.

Advertising and Circulation

Advertising sales, which account for around 80% of the Group's total revenue, continue to be the heart of our business. I am pleased to share with you that our advertising sales in this financial year were up approximately 11% over the last year.

Although the competition in Hong Kong is fierce, during the past year, the Company made significant progress in the area of circulation in the PRC, especially in increasing the visibility and the reach of the Group's magazines. The PRC market, with its vast size and high-level of fragmentation, has been a challenge in the past, but we believe that the progress we have made in this financial year will be central to our success there moving forward. With the addition of each new title from the Company available on newsstands, we have been able to leverage our bargaining power and negotiate more favorable positioning in all of our major markets, particularly in the key cities: Beijing, Shanghai, and Guangzhou.

Operating Performance

Our operating performance in this financial year reflects our concentrated focus on both consolidation and investment in operations for future expansion. We were able to successfully launch the compact edition of *Ming Pao Weekly* ("Compact Edition") in Hong Kong and two new magazines, MING and RS, in China. These however impacted our cost structure by incurring one-time marketing expenditure and additional production costs for the Compact Edition, as well as pre-launch development costs for MING and RS, which did not provide a significant contribution to the bottom line in this financial year. Our consolidated net profit after tax for the year ended 31st March 2006, including investments in these new magazines, was therefore recorded a drop of 69% as compared with the last financial year. Regarding individual magazine performance, we are very pleased to have realized an increase in turnover, particularly in China. Our China operation posted 49% revenue growth, led by *Top Gear*. With the coming contribution from our new titles, MING and RS, in China, I believe the business in China will play a significant role on revenue growth over the long term.

In summary, I am very pleased with our implementation and execution of new initiatives in this financial year, which marked a key turning point in our strategic growth. While the financial results were not satisfactory on a year on year basis, we have made tremendous strides in business development, circulation, and advertising sales while building a solid infrastructure to ensure future expansion. I am optimistic for the year to come and look forward to our continued strong growth in China, a market that is in its early stages of development.

I would like to close by thanking our board of directors of the Company ("Board") for their valuable counsel at this transition period as we have become a listed company. I would like to thank our shareholders, both new and old, for supporting the Company and our vision to be the premier lifestyle magazine group in China, and I would like to thank our staff, for without their ceaseless efforts on a daily basis, none of this would have been possible.

TIONG Kiu King
Chairman

Hong Kong, 30th June 2006

RESULTS SUMMARY

For the year ended 31st March 2006, the Group reported a consolidated turnover of HK$187,975,000 (2005: HK$177,115,000), representing an increase of 6% compared to the last financial year. The profit after taxation amounted to HK$7,022,000 (2005:HK$22,386,000), representing a decrease of 69% compared to the last financial year. The decrease was mainly attributed to the one-time marketing expenditure and the additional production costs of the Compact Edition and the pre-launch development costs for the two new magazines in Mainland China, namely, MING and RS. An increase in the unallocated expenses, mainly the corporate expenses, also led to the decrease in the profit after taxation.

REVIEW OF OPERATIONS

Hong Kong

The magazines currently published in Hong Kong include *Ming Pao Weekly, Hi-TECH Weekly* and *City Children's Weekly* ("HK Magazines"). These three titles contributed a turnover of HK$171,882,000 (2005: HK$166,328,000) to the Group, representing an increase of 3% compared to the last financial year, and an operating profit of HK$26,940,000 (2005: HK$35,823,000). The drop of operating profit in the Hong Kong division was mainly due to the one-time marketing expenditure and the additional production costs of the Compact Edition incurred.

In 2005, the Compact Edition of the same tabloid-sized *Ming Pao Weekly* ("Classic Edition") was launched in Hong Kong. The content and pagination of the Compact Edition are identical to that of the Classic Edition; however, the size has been reduced for the readers who prefer a convenient compact format to carry and read. This strategic move of publishing both Compact Edition and Classic Edition of each issue provides readers with more choices while the editorial quality of the magazine remains in tact and allowing advertisers to leverage a larger readership base.

In this financial year, the Group also revamped *Hi-TECH Weekly* into an "All-in-One" edition. Previously, the magazine was marketed as a two-book periodical in one package. The new "All-in-One" edition combines the content into one comprehensive magazine, offering readers a more convenient format and layout. This upgraded edition has resulted in positive feedback from both readers and advertisers regarding the changes.

City Children's Weekly continued to provide category-leading "edutainment" content to its target audience of primary school students in Hong Kong during this financial year. With the support of principals, teachers and parents, the magazine continued its "Multiple Intelligences for Kids" program in primary schools for the second year, entertaining and educating children on a weekly basis.

The HK Magazines were originally operated by two separate wholly-owned subsidiaries of the Company. In November 2005, the Group has undergone a reorganisation by consolidating the businesses of the HK Magazines under one single wholly-owned subsidiary of the Company. This consolidation will enable the Group to reduce corporate administration costs and, the most important of all, achieve operational efficiency for the Group as a whole.

Mainland China

In Mainland China, the Group has continued cautiously expanding its infrastructure and operation by recruiting new executives, adding new fixed assets and leasing more office spaces in order to ensure the effective usage of the Group's resources to further solidify the foundation for expansion.

In this financial year, the Group has the right to sell advertising space in and provide content to the magazines in Mainland China that incorporate content licensed from five internationally-renowned lifestyle magazines: *Popular Science, Digital Camera, Top Gear, T3 (Tomorrow's Technology Today)* and *Rolling Stone*. These titles contributed a turnover of HK$16,093,000 (2005: HK$10,787,000) to the Group, representing a 49% increase over the last financial year, but the operating loss was increased to HK$14,959,000 (2005: HK$1,604,000). The significant increase in operating loss in the Mainland China division attributed to the costs incurred in the expansion of the operational infrastructure and the pre-launch development for the two new magazines, MING and RS, which did not provide a significant contribution to the bottom line in this financial year because they were launched in March/April 2006. These pre-launch development costs were spent to insure that these new titles were anchored with a strong foundation for success. The preparation and development works included market researches, the establishment of content localization, the expansion of the advertising sales teams, circulation-related activities and marketing activities.

MING is an entertainment/celebrity/fashion title that incorporates some content from *Ming Pao Weekly* in Hong Kong, while RS is a music cultural icon magazine based on the internationally-renowned magazine, *Rolling Stone*, published by Wenner Media LLC in the United States. The first issues of MING and RS received very strong and positive responses from both readers and advertisers. The content of these two magazines appeals to a wide demographic which allows for a broad target readers and extensive cross-selling opportunities to advertisers. The addition of magazines such as these to the existing portfolio of titles serves to bring the Group's operation in Mainland China to the next level and to capitalise on the infrastructure that the Group has strategically engineered in preparation for future growth.

During the financial year, *Popular Science* and *Top Gear* recorded significant growth. *Digital Camera* and *T3 (Tomorrow's Technology Today)*, however, continued to face competitive pressure from the increasing number of gadget magazines in the electronics category. In view of this, the Group decided to discontinue the operation of *Digital Camera* starting from April 2006 and to extend the digital photography section in *T3 (Tomorrow's Technology Today)*. This strategic move will not only reduce operational costs, but also strengthen the competitiveness of *T3 (Tomorrow's Technology Today)* in the market.

OUTLOOK

The Group aims to be the dominant Chinese language media group in the Hong Kong and Mainland China lifestyle magazine sectors by providing both high quality content to readers and a cross-selling platform to advertisers, and is well positioned to take advantage of the fast growing Chinese language lifestyle magazine market in Mainland China whilst maintaining its competitive position in Hong Kong. Currently, the Group is actively seeking acquisition opportunities in China and Hong Kong and to partner with additional international publishers to expand its portfolio of magazines. With a solid infrastructure and foundation, the Group believes it could insure future expansion and enhance returns to the shareholders.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The currency risk of the Group arises mainly from its purchases of raw material denominated in US dollars. In addition, the Group also has investments in PRC subsidiaries whose net assets are exposed to currency risk. The Group does not presently hedge this currency exposure.

Since HK dollars are pegged to US dollars, the Group does not foresee any substantial exposure to US dollars in this regard.

The Group currently does not hedge transactions undertaken in Renminbi but manages its exposure through constant monitoring to limit as much as possible the amount of its Renminbi exposures.

EMPLOYEES

As at 31st March 2006, the Group has approximately 270 employees (2005: approximately 253 employees) of which 154 and 116 were stationed in Hong Kong and in Mainland China, respectively. The Group remunerates its employees based on industry practice and performance of individual employees.

The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. None of the directors, or their associates, is involved in determining his own remuneration. The Company has implemented share option schemes as an incentive to the directors and eligible employees, details of the schemes are set out on page 14.

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

EVENTS OF THE YEAR

Listing Ceremony

18th October 2005

Ming Pao Weekly Compact Edition Launch Party –
13th September 2005

Showbiz Award – 17th November 2005

Ming Pao Weekly Compact Edition Launch Party –
13th September 2005

Showbiz Awards – 17th November 2005

2006 SOPA Awards Presentation – 25th May 2006

City Children's Weekly
"Multiple Intelligences For Kids" Program – 7th November 2005

Hi-TECH Weekly
The Best of the Best Awards – 31st March 2006

The directors of the Company (the "Directors") submit their report together with the audited financial statements for the year ended 31st March 2006.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 8 to the financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 38.

The Directors recommend the payment of a final dividend of HK0.375 cent per ordinary share, totalling HK$1,500,000.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 14 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company issued 100 million shares of HK$0.001 each at HK$1.2 per share by way of placing and public offer on 18th October 2005 (as set out in detail in the prospectus dated on 30th September 2005 issued by the Company (the "Prospectus")). The net proceeds, after deduction of related issuance expenses, amounted to approximately HK$102,968,000 ("Net Proceeds"). The Net Proceeds were partially applied during the year ended 31st March 2006 in accordance with the proposed applications set out in the Prospectus, the details of which are as follows:

	Proposed application of Net Proceeds HK$'000	**Actual amount used up to 31st March 2006** HK$'000
Acquisition of magazine business in PRC	50,000	–
Sales and marketing activities for new magazines	24,000	460
Circulation-related activities of new magazines	12,000	1,285
Repayment of short-term loan	10,000	10,000
General working capital	6,968	3,500
	102,968	15,245

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 6 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 12 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31st March 2006, including the share premium, available for distribution, calculated in accordance with the provisions of Companies Law (2004 Revision) of the Cayman Islands, amounted to HK$112,470,000.

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

The reserves of the Group available for distribution depend on the dividend distributable by the Company's subsidiaries. For the dividend purpose, the amount which the Company's subsidiaries in the People's Republic of China ("PRC") can legally distribute by way of a dividend is determined by reference to their profits as reflected in the PRC statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC. These profits differ from those that are reflected in the Group's financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association (the "Articles"), or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FOUR-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last four financial years is set out on page 86.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

SHARE OPTIONS

The pre-IPO share option scheme ("Pre-IPO Scheme") and the post-IPO share option scheme ("Post-IPO Scheme") ("Schemes") were conditionally approved and adopted by ordinary resolutions of the shareholders of the Company and MPE on 26th September 2005 ("Adoption Date"). The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Post-IPO Scheme (where applicable) except for the following principal terms: (a) the subscription price per share shall be the offer price; and (b) no options will be offered or granted upon the commencement of dealings in the shares on the Stock Exchange.

Pursuant to the Schemes, the Board may, at its absolute discretion, grant share options to any full time employee, executive and non-executive Directors (including independent non-executive Directors) of the Group or MPE and its subsidiaries ("MPE Group") (for so long as the Company remains a subsidiary of MPE) ("Employee") to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The purposes of the Schemes are to encourage employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole, and to motivate them to achieve higher levels of good corporate governance.

The maximum number of shares in respect of which options may be granted under the Schemes when aggregated with the maximum number of shares in respect of any options to be granted under any other share option scheme established by the Company (if any) is that number which is equal to 10% of the issued share capital of the Company immediately following the commencement of dealings in the shares of the Company on the Stock Exchange. As at 31st March 2006, the total number of shares of the Company that may be issued upon exercise of all share options granted and yet to be exercised under the Pre-IPO Scheme was 14,472,000 shares, which represented 3.62% of the issued share capital of the Company as at that date. As at 31st March 2006, no option has been granted or agreed to be granted by the Company under the Post-IPO Scheme. No Employee shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such employee in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of the Company from time to time.

The period within which an option may be exercised under each of the Schemes will be determined and notified by the Board in its absolute discretion (subject to any vesting periods, if applicable), save that no option may be exercised later than 10 years from the date of offer of the option or 10 years after the Adoption Date, whichever is earlier. As evidenced by the vesting periods of the options granted under the Pre-IPO Scheme, no option granted under the Pre-IPO Scheme will be exercisable within six months from the Listing Date. Save for the number of shares which may be subscribed for pursuant to the exercise of options and the vesting periods of the options granted, each option so granted under the Pre-IPO Scheme has the same terms and conditions.

The offer of a grant of share option may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK$1 by the grantee.

Under each of the Schemes, the subscription price in relation to each option shall be determined by the Board in its absolute discretion, but in any event shall be the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date, which must be a business day, of the written offer of the option; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of the grant of such option; and (iii) the nominal value of the shares of the Company.

SHARE OPTIONS (Continued)

In relation to the options granted to the grantees, either of the following two vesting scales has been applied: (i) 20% of the shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or (ii) 100% of the shares comprised in the option will fully vest on the first anniversary of the Listing Date, as the case may be, which has been specified in the offer letters to the grantees.

Details of the share options outstanding and movements during the year ended 31st March 2006 are as follows:

	Number of shares involved in share options (in thousands)								
Grantees	**Balance at 18th October 2005**	**Granted during the year**	**Exercised during the year** *(Note 3)*	**Lapsed during the year** *(Note 3)*	**Balance at 31st March 2006**	**Percentage of issued ordinary shares at 31st March 2006**	**Exercise price per share** HK$	**Date of conditional grant**	**Exercisable period**
Directors:									
Mr. TIONG Kiu King *(Note 1)*	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TIONG Kiew Chiong *(Note 1)*	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Peter Bush BRACK *(Note 1)*	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TUNG Siu Ho, Terence *(Note 1)*	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Robert William Hong-San YUNG *(Note 1)*	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. YU Hon To, David *(Note 1)*	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. SIT Kien Ping, Peter *(Note 1)*	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TAN Hock Seng, Peter *(Note 1)*	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
	6,200	–	–	–	6,200	1.55%			

SHARE OPTIONS (Continued)

Grantees	Balance at 18th October 2005	Granted during the year	Exercised during the year *(Note 3)*	Lapsed during the year *(Note 3)*	Balance at 31st March 2006	Percentage of issued ordinary shares at 31st March 2006	Exercise price per share HK$	Date of conditional grant	Exercisable period
	Number of shares involved in share options (in thousands)								
MPE's directors:									
Tan Sri Datuk TIONG Hiew King *(Note 1)*	1,250	–	–	–	1,250	0.31%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Dr. TIONG Ik King *(Note 1)*	1,000	–	–	–	1,000	0.25%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. TANG Ying Yu *(Note 1)*	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Mr. Victor YANG *(Note 1)*	150	–	–	–	150	0.04%	1.20	27/09/2005	18/10/2005 – 25/09/2015
	2,550	–	–	–	2,550	0.64%			
Full time employees *(Note 1)*	4,650	–	–	100	4,550	1.14%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Full time employees *(Note 2)*	1,280	–	–	108	1,172	0.29%	1.20	27/09/2005	18/10/2005 – 25/09/2015
Total	14,680	–	–	208	14,472	3.62%			

Notes:

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

(1) 20% of the Company's shares comprised in the option will vest on each of the five anniversaries of the Listing Date from the first anniversary of the Listing Date to the fifth anniversary of the Listing Date; or

(2) 100% of the Company's shares comprised in each of the option will fully vest on the first anniversary of the Listing Date,

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

(3) During the year, 208,000 share options have been lapsed by reason of the grantees ceased to be full time employees of the Company and its subsidiaries. No share option was exercised or cancelled during the year.

The fair value of the options granted is set out in note 12 to the financial statements.

SHARE OPTIONS (Continued)

Apart from the Schemes, at no time during the period were rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Tan Sri Datuk TIONG Hiew King#	(appointed on 14th April 2005 and resigned on 24th August 2005)
Mr. TIONG Kiu King	(appointed on 14th April 2005)
Mr. TIONG Kiew Chiong	(appointed on 11th March 2005)
Mr. Peter Bush BRACK	(appointed on 14th April 2005)
Mr. TUNG Siu Ho, Terence	(appointed on 14th April 2005)
Mr. Robert William Hong-San YUNG	(appointed on 14th April 2005)
Mr. YU Hon To, David*	(appointed on 20th June 2005)
Mr. SIT Kien Ping, Peter*	(appointed on 20th June 2005)
Mr. TAN Hock Seng, Peter*	(appointed on 20th June 2005)

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

In accordance with Article 108(a) of the Articles, Mr. TIONG Kiew Chiong retires by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Article 112 of the Articles, Mr. TIONG Kiu King, Mr. Peter Bush BRACK, Mr. TUNG Siu Ho, Terence, Mr. Robert William Hong-San YUNG, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter retire by rotation and, being eligible, offer themselves for re-election.

The Company has received an annual confirmation from each of the independent non-executive Directors as regards their independence to the Company and considers that each of the independent non-executive Directors is independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS (Continued)

The appointment of the executive Directors of the Company is for an initial fixed term of one year starting from 1st September 2005 and shall continue unless and until terminated by either party giving to the other not less than 3 months' prior notice in writing to terminate the appointment.

The term of appointment of the independent non-executive Directors of the Company is one year and six months starting from 1st October 2005 and ending on 31st March 2007.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

TIONG Kiu King, aged 71, is the Chairman of the Company. He has been an executive director of MPE since October 1995 and was appointed as an executive Director in April 2005. Mr. TIONG has extensive experience in the media business. He graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong. He is a brother of Tan Sri Datuk TIONG Hiew King, the Chairman of MPE, and Dr. TIONG Ik King, the executive director of MPE.

TIONG Kiew Chiong, aged 46, is the Deputy Chairman of the Company. He was appointed as an executive Director in March 2005 and has been an executive director of MPE since May 1998. Mr. TIONG has extensive experience in the media business. He is one of the founders of The National, a newspaper in Papua New Guinea launched in 1993 and was formerly a director of Sin Chew Media Corporation Berhad in Malaysia. Mr. TIONG obtained a Bachelor of Business Administration from York University in Canada.

Peter Bush BRACK, aged 35, is the Chief Executive Officer of the Group. Mr. BRACK joined the Group in May 2004 and was appointed as an executive Director in April 2005. Mr. BRACK is in charge of the overall management of the Group. Mr. BRACK is also the Chairman and a director of Redgate Media Inc.. Prior to joining the Group, he had been a senior executive at Time Warner for more than 10 years. He was the Vice President of Advertising Sales at Turner Broadcasting Asia Pacific (CNN, Cartoon Network), Senior Vice President of the Asian editions of Time and Fortune, and the Vice President of Time Inc International. Mr. BRACK obtained a Bachelor of Arts in English Literature from Tulane University in the United States.

TUNG Siu Ho, Terence, aged 44, is the Chief Operating Officer of the Group. He is in charge of the business operation of the Group. Mr. TUNG joined the MPE Group in September 1998 as the Sales Director of Ming Pao Magazines Limited and was appointed as an executive Director in April 2005. He has extensive experience in the media business and was formerly a director and General Manager of Metropolitan Publications Limited. He is the Honourable Secretary of The Society of Publishers Asia. Mr. TUNG obtained a Bachelor of Arts from the University of Toronto in Canada.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Robert William Hong-San YUNG, aged 35, is the Chief Strategy Officer of the Group. Mr. YUNG joined the Group in May 2004 and was appointed as an executive Director in April 2005. Mr. YUNG is in charge of strategic planning of the Group. Mr. YUNG is also a director of Redgate Media Inc.. Prior to joining the Group, he was a founder and Chief Executive Officer of One Studio, a venture capital backed Chinese software development and consultancy company with operations in China and Japan. Mr. YUNG obtained a Master of Arts from New York University in the United States.

Independent non-executive Directors

YU Hon To, David, aged 58, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Audit Committee, and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. YU is a fellow of the Institute of Chartered Accountants in England and Wales, and a member of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr. YU is a founder and director of Management Capital Limited, a company which specializes in direct investment and financial advisory activities. Mr. YU is currently an independent non-executive director of MPE and several other companies listed on the Stock Exchange.

SIT Kien Ping, Peter, aged 53, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. He is a solicitor of Hong Kong, a notary public, a China-appointed attesting officer, and an adjudicator of the Immigration Tribunal. Mr. SIT has over 27 years of experience in advising on commercial transactions and conveyancing projects, and currently is a senior and founding partner of Sit, Fung, Kwong & Shum, a law firm in Hong Kong. Mr. SIT is currently an independent non-executive director of Asia Commercial Holdings Limited, a company listed on the Stock Exchange.

TAN Hock Seng, Peter, aged 72, has been an independent non-executive Director of the Company since June 2005. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. TAN is currently the director of International Credit Money Research Centre of Yenching Institute and a visiting professor of the College of Arts and Science of Beijing United University. He is an experienced investor and researcher in the area of currency economics and had organized various seminars about international currencies and economies in the PRC. Mr. TAN obtained a Bachelor in Geology from Peking Geology University in the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (Continued)

Senior management

LAM Pak Cheong, aged 38, is the Chief Financial Officer and the Company Secretary of the Company. He is in charge of the financial and investment operation of the Group. Mr. LAM has extensive experience in financial management, mergers and acquisitions, corporate development, fund raising and investor relations. He is an associate of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators, respectively. Mr. LAM obtained a Master of Business Administration in Financial Services jointly from the University of Manchester and the University of Wales, Bangor in the United Kingdom.

LAU Yat Fan, aged 41, is the Chief Executive Officer (China Operation). He is in charge of the general management of the Group's operation in the PRC. Mr. LAU has extensive experience in various businesses in China, including media, advertising, property and trading. He is very familiar with the China market and is an experienced entrepreneur in China.

LUNG King Cheong, aged 52, is the Chief Editor of *Ming Pao Weekly*. He is in charge of the overall editorial works and the general management of the editorial team of *Ming Pao Weekly*. Mr. LUNG has extensive publishing and editorial experience in Hong Kong. Prior to joining the Group, he was the Chief Editor and Publisher of *Hong Kong Today*. Mr. LUNG is very familiar with the media industry and is one of the most experienced chief editors of lifestyle magazines in Hong Kong.

YEUNG Ying Fat, aged 38, is the Financial Controller and the Qualified Accountant of the Company. He is in charge of the financial and management accounting of the Group. Mr. YEUNG has extensive experience in financial accounting and management accounting. He is a member of the Hong Kong Institute of Certified Public Accountants. Prior to this, he had worked in several international accounting firms for more than 4 years. Mr. YEUNG obtained a Bachelor of Management in Accounting from the University of Lethbridge in Canada.

WONG Ching Hang, Cynthia, aged 39, is the Business Director (South China Region) of the Group. She is in charge of the overall advertising sales and the business development of *Ming Pao Weekly* and *MING*. Ms. WONG has extensive advertising sales experience in the media industry. She obtained a Higher Certificate in Marketing and Sales Management from Hong Kong Polytechnic University in Hong Kong.

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

As at 31st March 2006, the interests or short position of the Directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under section 352 of the SFO, or as otherwise notified or as required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(a) Interests in the Company's shares

	Number of shares/underlying shares held						
Name of Director	**Personal interest**	**Family interest**	**Corporate interest**	**Total interests in shares**	**Interests in underlying shares pursuant to share options** *(Note)*	**Aggregate interests**	**Percentage of interest as at 31st March 2006**
Mr. TIONG Kiu King	–	–	–	–	1,250,000	1,250,000	0.31%
Mr. TIONG Kiew Chiong	–	–	–	–	1,250,000	1,250,000	0.31%
Mr. Peter Bush BRACK	–	–	–	–	1,250,000	1,250,000	0.31%
Mr. TUNG Siu Ho, Terence	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. Robert William Hong-San YUNG	–	–	–	–	1,000,000	1,000,000	0.25%
Mr. YU Hon To, David	–	–	–	–	150,000	150,000	0.04%
Mr. SIT Kien Ping, Peter	–	–	–	–	150,000	150,000	0.04%
Mr. TAN Hock Seng, Peter	310,000	–	–	310,000	150,000	460,000	0.12%

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

(b) Interests in shares in MPE

	Number of shares/underlying shares held					
Name of Director	**Personal interest**	**Family interest**	**Corporate interest**	**Deemed interest in MPE shares pursuant to share options** *(Note)*	**Total number of MPE shares in which the Director has or is deemed to have interests**	**Approximate percentage of interest in MPE as at 31st March 2006**
Mr. TIONG Kiu King	611,000	147,000	–	600,000	1,358,000	0.34%
Mr. TIONG Kiew Chiong	1,200,000	–	–	600,000	1,800,000	0.44%

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

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

(b) Interests in shares in MPE (Continued)

	Underlying MPE shares pursuant to share options	Approximate percentage of interest in MPE	Exercise price per MPE share	Date of grant	Exercisable period
Mr. TIONG Kiu King	300,000	0.074%	1.592	31/08/2001	01/09/2001 to 20/08/2011
	300,000	0.074%	1.800	15/09/2003	16/09/2003 to 20/08/2011
Mr. TIONG Kiew Chiong	300,000	0.074%	1.592	31/08/2001	01/09/2001 to 20/08/2011
	300,000	0.074%	1.800	15/09/2003	16/09/2003 to 20/08/2011

Save as disclosed above and those disclosed under the paragraph headed "Share Options", as at 31st March 2006, none of the Directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 31st March 2006, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Capacity	Percentage of issued ordinary shares as at 31st March 2006
Winmax *(Note)*	295,500,000	Beneficial owner	73.88%
JP Morgan Chase & Co.	23,888,000	Institutional investor	5.97%

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

Note: Winmax Resources Limited ("Winmax") is beneficially owned as to 60% by Starsome Limited ("Starsome") and 40% by RGM Ventures Limited. Starsome is an indirect wholly-owned subsidiary of MPE. RGM Ventures Limited is an indirect wholly-owned subsidiary of Redgate Media Inc. ("Redgate Media"). Redgate Media is beneficially owned as to 15.59% by Mr. Peter Bush BRACK and 1.69% by his associates, 9.95% by Mr. Robert William Hong-San YUNG, 9.95% by Ms. ZHU Ying, 4.22% by Mr. LAU Yat Fan and 58.6% by other independent third parties not connected with the Company.

Save as disclosed above and those disclosed under "Directors' interests and short positions in the share capital and debentures of the Company and its associated corporations", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company as at the 31st March 2006.

MANAGEMENT CONTRACTS

Unless otherwise disclosed in this report and those disclosed under the paragraph headed "Continuing Connected Transactions", no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

During the year, the Group sold less than 30% of its goods and services to its 5 largest customers.

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

Purchases	
– the largest supplier	19%
– five largest suppliers combined	50%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

Significant related party transactions entered by the Group during the year ended 31st March 2006, which do not constitute connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are disclosed in note 30 to the financial statements.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the prospectus dated 30th September 2005 of the Company, a number of connected transactions have been entered into and will continue to be carried out between members of the Group and members of the MPE Group ("Continuing Connected Transactions").

Pursuant to Chapter 14A of the Listing Rules, transactions carried out under the various licensing agreements are considered to be non-exempt continuing connected transactions and would require compliance with the reporting, announcement and independent shareholders' approval requirements. Certain magazine services and administrative services transactions are exempt from the independent shareholders' approval requirements but are subject to the reporting and announcement requirements. A waiver from strict compliance with the announcement and/or independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such non-exempt Continuing Connected Transactions was granted by the Stock Exchange.

Save for the Continuing Connected Transactions exempted under Rules 14A.33(1), 14A.33(2) and 14A.33(3) of the Listing Rules, details of the non-exempt Continuing Connected Transactions during the year are set out as follows:

Nature of transactions	**2006**	**Annual Caps**
	HK$'000	HK$'000
Licensing fees *(note 1)*	13,658	18,100
Circulation support services charge *(note 2)*	3,117	4,200
Charges for the leasing of:		
(i) computers and other office equipment *(note 3)*		
(ii) office space, storage space and parking spaces *(note 4)*	1,738	2,500
	(total of items (i) & (ii))	(total of items (i) & (ii))

CONTINUING CONNECTED TRANSACTIONS (Continued)

Notes:

(1) The licensing fee was determined with reference to the range of licensing fees charged by independent market practitioners in the magazine licensing industry in Hong Kong and Mainland China markets.

(2) The circulation support services charge was relating to the distribution, sale and promotion of the publications of Group and was determined on cost reimbursement basis.

(3) Charges for the leasing of computers and other office equipment were determined on cost reimbursement basis and were based on the depreciation charges of the equipment provided.

(4) Charges for the leasing of office space, storage space and parking spaces were determined on cost reimbursement basis and were based on prevailing market rates of comparable premises.

The Continuing Connected Transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors have confirmed that the Continuing Connected Transactions have been entered into:

(a) on normal commercial terms or on terms that are fair and reasonable so far as the equity holders of the Company are concerned;

(b) in accordance with the terms of the agreements governing such transactions or on terms no less favourable than terms available to or from independent third parties; and

(c) within the relevant cap amounts as agreed by the Stock Exchange.

The auditors of the Company have also confirmed that the Continuing Connected Transactions: (a) have been approved by the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements governing such transactions; and (d) have not exceeded their respective caps.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, it is confirmed that there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules:

The controlling shareholder of the Company is Winmax which owns as to 73.88% of the shareholding of the Company and is beneficially held as to 60% by an indirect wholly-owned subsidiary of MPE, Starsome and 40% by Redgate Media through an indirect wholly-owned subsidiary, RGM Ventures Limited.

COMPETING BUSINESS (Continued)

MPE is a publicly listed company in Hong Kong which engages in the publication of Chinese language newspapers in Hong Kong, Toronto, Vancouver, New York and San Francisco, and opinion-led news/current affairs magazines; internet portal operation; printing services and book publishing; and travel and travel related services ("Remaining Business"). The Directors consider that there is a clear delineation between the businesses of MPE and the Group and that there is no competition between the Remaining Business and the business of the Group.

The controlling shareholder of MPE is Conch Company Limited ("Conch") which is ultimately beneficially owned by Tan Sri Datuk TIONG Hiew King and Dr. TIONG Ik King, both being executive directors of MPE, and their associates. Both of them hold directorships in Sin Chew Media Corporation Berhad (''Sin Chew Media"), a company listed on the Bursa Malaysia Securities Berhad, which engages in the publication of Chinese language newspapers in Malaysia. The Directors consider that the Group operates independently from Sin Chew Media and there is no competition between the business of Sin Chew Media and the business of the Group.

Redgate Media is controlled by Mr. Peter Bush BRACK and his associates, Mr. Robert William Hong-San YUNG (both of whom are executive Directors of the Company) and Ms. ZHU Ying as to 17.28%, 9.95% and 9.95%, respectively. Redgate Media is an investment holding company which principally engages in the business of investing in advertising and media companies in the PRC and providing capital and management expertise to them. The Directors consider that Redgate Media is not and will not be in competition with the Group because its shareholding interest in the Company represents the entire magazine related assets of Redgate Media and Redgate Media's interests in the Company comprise substantially the majority of Redgate Media's assets. The Directors consider that the Group operates independently from Redgate Media and there is no competition between the Group and Redgate Media.

Accordingly, the Directors are of the view that the Company is capable of carrying on its business independently of, and at arm's length from the business of each of Sin Chew Media, MPE and Redgate Media.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

TIONG Kiu King
Chairman

Hong Kong, 30th June 2006

Corporate Governance Report

Good corporate governance practices are crucial to the smooth and effective operation of a company and its ability to attract investment and protect shareholders' interest. The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

On 1st January 2005, the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules became effective. The Company adopted all the code provisions in the Code as its own code on corporate governance practices. From the Listing Date to 31st March 2006, the Company has met the code provisions as set out in the Code.

CONDUCT ON SHARE DEALINGS

From the Listing Date to the date of this report, the Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") as the code for securities transactions by the Directors. The Directors have confirmed, following specific enquiry by the Company, their compliance with the required standard as set out in the Model Code during the period.

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

THE BOARD OF DIRECTORS

Composition and Function

The Board comprises eight Directors, of which five are executive Directors and the remaining three are independent non-executive Directors.

As at 31st March 2006, the Directors were:

Name of Directors	Title	Date of Appointment
Executive Directors		
Mr. TIONG Kiu King	Executive Director and Chairman	14th April 2005
Mr. TIONG Kiew Chiong	Executive Director and Deputy Chairman	11th March 2005
Mr. Peter Bush BRACK	Executive Director and Chief Executive Officer	14th April 2005
Mr. TUNG Siu Ho, Terence	Executive Director and Chief Operating Officer	14th April 2005
Mr. Robert William Hong-San YUNG	Executive Director and Chief Strategy Officer	14th April 2005
Independent Non-Executive Directors		
Mr. YU Hon To, David	Independent non-executive Director	20th June 2005
Mr. SIT Kien Ping, Peter	Independent non-executive Director	20th June 2005
Mr. TAN Hock Seng, Peter	Independent non-executive Director	20th June 2005

The biographies of each of the Directors are set out on pages 18 to 19.

Pursuant to the written guidelines adopted by the Company, specific matters are reserved to the Board for its decision and certain matters are delegated to the senior management.

The Board is responsible for, inter alia:

(a) reviewing and approving the strategic direction of the Group established by executive Directors in conjunction with the management;
(b) reviewing and approving objectives, strategies and business development plans set by Executive Committee;
(c) monitoring the performance of the Chief Executive Officer and the senior management;
(d) enhancing the standard of corporate governance; and
(e) reviewing the effectiveness of the internal control system of the Group.

The senior management and the Executive Committee, under the leadership of the Chief Executive Officer, are responsible for:

(a) formulating strategies and business development plans, submitting the same to the Board for approval and implementing such strategies and business development plans thereafter;
(b) submitting reports on the Group's operations to the Board on a regular basis;
(c) reviewing annual budgets and submitting the same to the Board for approval;
(d) reviewing salary increment proposal and remuneration policy and submitting the same to the Board for approval; and
(e) assisting the Board in conducting the review of the effectiveness of the internal control system of the Group.

Independence of Independent Non-Executive Directors

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

Proceedings and Retirement of Directors

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

The term of appointment of the independent non-executive Directors is one year and six months starting from 1st October 2005 and ending on 31st March 2007.

All Directors have access to board papers and related materials, and are provided with adequate information on a timely manner. The Directors may, if necessary, seek legal or other independent professional advice at the expense of the Company pursuant to a written guideline adopted by the Board. In respect of regular board meetings or committee meetings, the agenda is sent out to the Directors at least fourteen days before the meeting and the accompanying papers are sent at least three days before the intended date of meeting for information.

Directors' Responsibilities

In relation to the financial reporting, all Directors acknowledge their responsibilities for preparing the financial statements of the Group. Directors are indemnified against all costs and liabilities that may be incurred by them in the execution of their duties. A Directors' and Officers' Liability Insurance policy has been arranged for providing the indemnity.

GOVERNANCE STRUCTURE

As an integral part of good corporate governance, the Board has established the following committees whose authority, functions, composition and duties of each of the committees are set out below:

1. Executive Committee

The Executive Committee is the decision-making body for day-to-day operation of the Group which comprises Mr. TIONG Kiew Chiong, Mr. ONG See Boon, Mr. Peter Bush BRACK, Mr. TUNG Siu Ho, Terence, Mr. Robert William Hong-San YUNG and Mr. LAM Pak Cheong.

Its main duties include performing duties delegated by the Board and exercising the authorities and rights authorized by the same pursuant to the written guidelines.

2. Remuneration Committee

The Remuneration Committee, established on 26th September 2005, has five members, namely, Mr. SIT Kien Ping, Peter, Mr. YU Hon To, David, Mr. TAN Hock Seng, Peter, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK. Except Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK, the rest are all independent non-executive Directors. Mr. SIT Kien Ping, Peter is the Chairman of the Remuneration Committee.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules. The functions of the Remuneration Committee include, among other things:

(a) making recommendations to the Board on the Company's policy and structure for remuneration of the Directors and senior management;
(b) establishing a formal and transparent procedure for developing policy on remuneration; and
(c) determining specific remuneration packages for the Directors and senior management.

The remuneration of all the Directors and their respective interest in share options are set out in note 22 to the financial statements and under the "Share Options" paragraph in the Report of the Directors of this report.

Since the establishment of the Remuneration Committee, it has reviewed and made recommendation to the Board about the terms of the service contracts and remuneration policy of the executive Directors and senior management.

3. Nomination Committee

The Nomination Committee, established on 26th September 2005, has five members, namely, Mr. TAN Hock Seng, Peter, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK. Except Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK, the rest are all independent non-executive Directors. Mr. TAN Hock Seng, Peter is the Chairman of the Nomination Committee.

Written terms of reference have been adopted by the Board in accordance with the recommendations in the Listing Rules. The functions of the Nomination Committee include, among other things, making recommendations to the Board on the Group's nomination policy and procedures and recommending candidates for directorship.

Since the establishment of the Nomination Committee, it has reviewed the structure, size and composition of the Board and made recommendations to the Board.

4. Audit Committee

The Audit Committee, established on 26th September 2005, has three members, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter. They are all independent non-executive Directors. Mr. YU Hon To, David is the Chairman of the Audit Committee.

Written terms of reference have been adopted by the Board in compliance with the Listing Rules. The duties of the Audit Committee include, among other things:

(a) overseeing the relationship with the Company's external auditors;
(b) making recommendation to the Board on the appointment, re-appointment and removal of the external auditors;
(c) reviewing the financial information of the Group including monitoring the integrity of Group's financial statements, annual report and accounts, half-year report and reviewing significant financial reporting judgments contained therein; and
(d) overseeing the Group's financial reporting system and internal control procedures.

Since the establishment of the Audit Committee, it has met with the management and the external auditors and reviewed and made recommendation to the following matters:

(a) reviewed the audited financial statements for the year ended 31st March 2006 and the interim report for the six months ended 30th September 2005;
(b) reviewed and considered the report from the external auditors on the audit of the Group's financial statements;
(c) made recommendation to the Board for the appointment of the external auditors;
(d) reviewed the external auditors' audit plan; and
(e) recommended to the Board to set up an internal audit department of the Group.

Number of Meetings and the Attendance Rate

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

Attendance rate

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

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

With a view to maintaining an effective segregation of duties, the position of the Chairman and the Chief Executive Officer are split and each plays a distinctive role. The Chairman is mainly responsible for the leadership and effective operation of the Board and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, and the Chief Executive Officer is delegated with the authority and is mainly responsible for the operation of the Group's business and the implementation of the approved strategies with a view to achieving the corporate objectives.

EXTERNAL AUDITORS

PricewaterhouseCoopers ("PwC") was appointed as the Group's external auditors for the year ended 31st March 2006. During the year, PwC provided the following audit and non-audit services to the Group:

	HK$'000
Annual audit services	800
Non-audit services – IPO	1,170
	1,970

PwC will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in September 2006.

A statement by PwC about their reporting responsibilities on the financial statements of the Group is set out in the "Auditors' Report" section on page 34.

AMENDMENT TO ARTICLES OF ASSOCIATION

To align with the amendment made to paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B of the Listing Rules, the Articles are to be amended and approved by shareholders at the annual general meeting to be held in September 2006 to the effect that where it is not otherwise provided by law, the Company in general meeting shall have power by ordinary resolution (instead of special resolution) to remove any director before the expiration of his period of office. Certain minor housekeeping amendments to the Articles will also be proposed at the annual general meeting. Details of the amendment to the Articles are set out in the circular to shareholders to be dispatched before the 2006 annual general meeting.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors, the Company has maintained a sufficient public float of its share capital in the Hong Kong stock market throughout the financial year ended 31st March 2006.

SHAREHOLDERS' RIGHTS

The objective of shareholders communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner. The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars.

INTERNAL CONTROL

Internal control system is designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. The management is obliged to maintain the effectiveness of the internal control systems and to report any significant changes, deficiencies and material weaknesses in these systems to the Audit Committee and the Group's external auditors.

A review of the Group's internal control system and procedures was conducted by a Certified Public Accountant during the financial year ended 31st March 2006. The review covered the following major areas:

(a) Sales orders handling procedures;
(b) Fixed assets physical count and capitalization policy;
(c) Computer controls;
(d) Accounting issues, standards and policies; and
(e) Related parties transactions.

Recommendation for improvement was made and the Company's management has adopted such recommendation.

The Company will disclose further information on the review of the internal control systems of the Company in 2007 Annual Report pursuant to paragraph C.2.1 of the Code.

Auditors' report
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Auditors' Report

AUDITORS' REPORT TO THE SHAREHOLDERS OF
ONE MEDIA GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 35 to 85 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st March 2006 and the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th June 2006

Consolidated Balance Sheet

As at 31st March

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Goodwill	7	**2,028**	2,028
Property, plant and equipment	6	**4,461**	2,626
Defined benefit plan's assets	19	**919**	924
Long service payment assets	20	**13**	–
Deferred income tax assets	18	**304**	–
		7,725	5,578
Current assets			
Inventories	10	**11,077**	2,059
Trade and other receivables	9	**52,015**	49,220
Deferred income tax assets	18	**3,435**	–
Income tax recoverable		**2,006**	–
Cash and cash equivalents	11	**94,120**	8,175
		162,653	59,454
Current liabilities			
Trade and other payables	15	**25,123**	12,397
Amount due to the immediate holding company	13	**–**	3,339
Amounts due to fellow subsidiaries	13, 15	**2,402**	1,838
Dividend payable	27	**–**	22,000
Income tax liabilities		**83**	2,485
Trust receipt loans, unsecured	16	**338**	–
Bank overdrafts	11	**30**	–
		27,976	42,059
Net current assets		**134,677**	17,395
Total assets less current liabilities		**142,402**	22,973

Consolidated Balance Sheet

As at 31st March

	Notes	2006 HK$'000	2005 HK$'000
Financed by:			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	12	**400**	1
Other reserves	14(a)	**123,479**	11,221
Retained earnings		**17,023**	11,501
Proposed final dividend	27	**1,500**	–
Total equity		**142,402**	22,723
LIABILITIES			
Non-current liabilities			
Long service payment liabilities	20	**–**	9
Deferred income tax liabilities	18	**–**	241
		–	250
		142,402	22,973

On behalf of the Board

TIONG Kiu King
Chairman

Peter Bush BRACK
Director

Balance Sheet

As at 31st March

	Notes	2006 HK$'000	2005 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	8	**38,208**	1
Current assets			
Other receivables	9	**79**	–
Cash and cash equivalents	11	**76,287**	–
		76,366	–
Current liabilities			
Other payables	15	**1,704**	–
Amount due to a subsidiary	13, 15	**–**	432
		1,704	432
Net current assets/(liabilities)		**74,662**	(432)
Total assets less current liabilities		**112,870**	(431)
Financed by:			
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	12	**400**	1
Other reserves	14(b)	**111,373**	(432)
Accumulated loss	25	**(403)**	–
Proposed final dividend	27	**1,500**	–
		112,870	(431)

On behalf of the Board

TIONG Kiu King
Chairman

Peter Bush BRACK
Director

Consolidated Income Statement

Year ended 31st March

	Notes	2006 HK$'000	2005 HK$'000
Turnover	5	**187,975**	177,115
Cost of goods sold	21	**(108,309)**	(88,390)
Gross profit		**79,666**	88,725
Other gains	5	**1,645**	1
Selling and distribution costs	21	**(49,449)**	(45,102)
Administrative expenses	21	**(26,452)**	(15,132)
Operating profit		**5,410**	28,492
Finance costs	23	**(306)**	(95)
Profit before income tax		**5,104**	28,397
Income tax credit/(expense)	24	**1,918**	(6,011)
Profit for the year		**7,022**	22,386
Attributable to:			
Equity holders of the Company		**7,022**	22,386
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
– basic	26	**2.05**	7.58
– diluted	26	**2.05**	NA
Dividends	27	**1,500**	16,000

Consolidated Statement of Changes in Equity

Year ended 31st March

		Attributable to the equity holders of the Company				
	Notes	Share capital HK$'000	Other reserves HK$'000	Retained earnings HK$'000	Proposed final dividend HK$'000	Total HK$'000
Balance at 1st April 2004		–	11,650	2,666	–	14,316
Issuance of shares	12	1	–	–	–	1
Contribution from equity owner		–	–	2,449	–	2,449
Share issuance costs	12	–	(432)	–	–	(432)
Currency translation differences		–	3	–	–	3
Profit for the year		–	–	22,386	–	22,386
Dividend relating to 2005	27	–	–	(16,000)	–	(16,000)
Balance at 31st March 2005		1	11,221	11,501	–	22,723
Balance at 1st April 2005		1	11,221	11,501	–	22,723
Share compensation costs on share options granted	22	–	794	–	–	794
Share issuance costs	12	–	(16,656)	–	–	(16,656)
Issuance of shares for Reorganisation	12	299	8,406	–	–	8,705
Issuance of shares for Initial Public Offerings ("IPO")	12	100	120,055	–	–	120,155
Currency translation differences		–	(341)	–	–	(341)
Profit for the year		–	–	7,022	–	7,022
Dividend relating to 2006	27	–	–	(1,500)	1,500	–
Balance at 31st March 2006		400	123,479	17,023	1,500	142,402

Consolidated Cash Flow Statement

Year ended 31st March

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Cash generated from operations	28	**2,378**	25,947
Interest paid		**(306)**	(95)
Hong Kong profits tax paid		**(6,469)**	(4,544)
PRC enterprise income tax paid		**(1)**	(7)
Net cash (used in)/generated from operating activities		**(4,398)**	21,301
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired		**–**	216
Purchases of property, plant and equipment		**(3,237)**	(2,055)
Interest received		**1,645**	1
Net cash used in investing activities		**(1,592)**	(1,838)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(22,000)**	(16,000)
Drawdown of trust receipt loans		**24,244**	–
Repayment of trust receipt loans		**(23,906)**	–
Proceeds from shares issued for Reorganisation		**8,705**	–
Proceeds from shares issued for IPO		**120,155**	–
Share issuance costs paid		**(14,952)**	–
Drawdown of short term loan		**10,000**	–
Repayment of short term loan		**(10,000)**	–
Net cash generated from/(used in) financing activities		**92,246**	(16,000)
Net increase in cash and bank overdrafts		**86,256**	3,463
Cash and bank overdrafts at beginning of the year		**8,175**	4,709
Exchange (loss)/gain on cash and cash equivalents		**(341)**	3
Cash and bank overdrafts at end of the year	11	**94,090**	8,175

1 GENERAL INFORMATION

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

Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together "the Group") in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the companies now comprising the Group on 26th September 2005. Following the completion of the public offering and placing of 100,000,000 shares as set out in the prospectus dated 30th September 2005 issued by the Company (the "Prospectus"), the shares of the Company were listed on the Main Board of the Stock Exchange on 18th October 2005 (the "Listing Date").

The Company is an investment holding company. The principal activities of the Group are publication, marketing and distribution of Chinese language lifestyle magazines. Details of the activities of principal subsidiaries are set out in Note 8 of the financial statements.

These consolidated financial statements are presented in thousands of units of HK dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 30th June 2006.

The Group resulting from the Reorganisation is regarded as a continuing entity and merger accounting has been adopted. Accordingly, the consolidated income statements and consolidated cash flow statements for the years ended 31st March 2006 and 2005 were prepared as if the current group structure had been in existence throughout the periods with reference to the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". The consolidated balance sheet of the Group as at 31st March 2005 has been prepared to present the assets and liabilities of the Group as at 31st March 2005 as if the current group structure had been in existence at that date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (("HKFRS") which term collectively includes Hong Kong Accounting Standards ("HKAS") and Interpretations ("HKAS-Int")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and disclosure requirements of Appendix 16 of the Rules governing the Listing of Securities on the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The adoption of new/revised HKFRS

In preparing the consolidated financial statements for the year ended 31st March 2006, the Group adopted the new/revised HKFRS below, which are relevant to the Group's operations. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKAS–Int 31	Revenue – Barter Transactions Involving Advertising Services

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

The adoption of HKASs 2, 7, 8, 10, 16, 17, 21, 23, 27, 32, 33, 38, 39 and HKAS-Int 31 did not result in substantial changes to the Group's accounting policies. In summary:

– HKASs 2, 7, 8, 10, 16, 17, 23, 27, 32, 33, 38, 39 and HKAS-Int 31 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

HKAS 1: Presentation of Financial Statements

The adoption of HKAS 1 has resulted in changes in presentation in the consolidated financial statements. It has no effect on the profit attributable to equity holders of the Company. Certain comparative figures have been amended to comply with the new presentation requirements.

HKAS 24: Related Party Disclosures

The adoption of HKAS 24 has expanded the definition of related parties to include key management of the Group.

HKFRS 2: Share-based Payment

The Group newly adopted HKFRS 2 since 1st April 2005. Under HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the consolidated income statement and credited to employee share-based payment reserve under equity.

Share options were conditionally granted under the pre-IPO share option scheme (details are disclosed in the Prospectus) to employees of the Group on 27th September 2005 and was approved upon the listing of the Company on the Listing Date. The impact to the consolidated income statement of the Group for the year ended 31st March 2006 was HK$794,000.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

The adoption of new/revised HKFRS (Continued)

HKAS 36: Impairment of Assets

HKFRS 3: Business Combinations

The adoption of HKFRS 3 and HKAS 36 result in a change in the accounting policy for goodwill. Prior to this, goodwill was amortised on a straight-line basis over a maximum period of 15 years and assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1st April 2005 onwards and goodwill is tested annually for impairment, as well as when there is indication of impairment. The accumulated amortisation as at 1st April 2005 has been offset against the cost of goodwill, with no comparatives restated. The Group's goodwill as at 31st March 2006 and 2005 amounted to HK$2,028,000.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application other than HKFRS 3, which is prospectively applied after 1st April 2005.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March 2006.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement (see Note 2.6).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation (Continued)

(a) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

2.5 Property, plant and equipment

Property, plant and equipment, comprising leasehold improvements, furniture, fixtures, office equipment and computer equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight–line method to allocate cost over their estimated useful lives, as follows:

– Leasehold improvements	shorter of 10% – 25% or lease term
– Furniture, fixtures and office equipment	20% –30%
– Computer equipment	30%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st April 2005 was amortised on a straight–line basis over a maximum period of 15 years and assessed for indication of impairment at each balance sheet date. The Group ceased amortisation of goodwill from 1st April 2005 onwards and goodwill is tested annually for impairment as well as when there is indication of impairment.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

2.7 Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within selling and distribution costs.

2.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks. Bank overdrafts are shown as current liabilities on the balance sheet.

2.11 Share capital

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

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.14 Employee benefits

(a) Pension obligations

The Group's fellow subsidiary, Ming Pao Holdings Limited, operates a hybrid retirement benefit scheme (the "Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of these retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans of the Scheme are generally funded by payments from the Group and/or employees.

The Group's contributions to the Scheme are made based on the periodic recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans of the Scheme and the MPF Scheme are expensed as incurred. The Group's contributions to the defined contribution plans of the Scheme are reduced by the Group's contributions forfeited by those employees who leave the Scheme prior to vesting fully in the Group's contributions.

For the defined benefit plans of the Scheme, the pension costs are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefit is charged to the income statement so as to spread the regular pension costs over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the Scheme. The pension obligation is measured as the present value of the estimated future cash outflows of the Scheme by reference to market yields at balance sheet date based on Exchange Fund Notes which have terms similar to the estimated terms of the benefits obligations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

(a) Pension obligations (Continued)

Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(b) Long service payment

The Group's net obligations in respect of long service payment on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date based on Exchange Fund Notes which have terms similar to the estimated terms of the related liability.

(c) Share-based compensation scheme

The Group operates two equity-settled share-based compensation schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(d) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Employee benefits (Continued)

(e) Bonus plans

The expected cost of bonus plans is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by the employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.16 Revenue recognition

Revenue from the circulation and subscription sales of periodicals, net of trade discounts and returns, is recognised on the transfer of risks and reward of ownership, which generally coincides with the date of delivery. Unearned subscription fee received from subscribers are recorded as subscription received in advance under trade and other payables in the balance sheet.

Advertising income, net of trade discounts, is recognised when the periodicals are published.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.17 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases net of any incentives received from the lessor are charged in the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.19 Provision for sales returns

Turnover is stated net of provision for sales returns. Provision for sales returns is made by the Group upon the delivery of goods to the customers when the significant risks and rewards of ownership of the goods are transferred to customers.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks including currency risk, credit risk and cash flow interest-rate risk. The Group's overall risk management policies seek to minimise potential adverse effects of these risks on the Group's financial performance. The policies for managing these risks are summarised below.

(a) Currency risk

The Group mainly operates in Hong Kong and PRC and the major exchange rate risks arise from fluctuations in the US dollars, HK dollars and Renminbi ("RMB"). For majority of transactions conducted in Hong Kong, both sales and cost of sales are denominated in HK dollars or US dollars. For operations in China, all revenues and most of the cost of sales are denominated in RMB, while part of the purchases are denominated in US dollars or HK dollars.

(b) Credit risk

The Group manages its credit risk associated with trade receivable through the application of ongoing credit evaluations and monitoring procedures.

(c) Cash flow and fair value interest rate risk

The Group's cash balances are exposed to the risk arising from changing interest rates. The Group has cash balances placed with reputable banks that generate interest income for the Group. The Group manages its interest rate risk by placing deposits at various maturities and interest rate terms.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements concerning the future based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of trade and other receivables

The Group makes provision for impairment of trade and other receivables based on assessment of the recoverability of trade and other receivables. Provisions are made for any specific trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgements and estimates. As at 31st March 2006, a provision for impairment of trade and other receivables totaling HK$604,000 and HK$180,000 respectively were recognised in the consolidated income statement for the year ended 31st March 2006.

(b) Defined benefits plan's assets

Determining the carrying amount of defined benefit plan's assets requires actuarial assumptions made in respect of discount rate, rate of return on plan's assets and rate of future salary increases. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the balance sheet. Details of these actuarial assumptions are set out in Note 19.

(c) Fair value of share options at grant date

Determining the fair value of share options at grant date requires actuarial assumptions made in respect of the volatility of the stock, risk-free interest rates, forfeiture rate and sub-optional exercise factors. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the equity. Details of these actuarial assumptions are set out in Note 12.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(e) Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have indication of impairment in accordance with the accounting policy stated in Notes 2.5 and 2.7. The recoverable amounts of property, plant and equipment will be determined based on higher of assets' fair value less costs to sell or value–in–use calculations. These calculations require the use of judgements and estimates.

(f) Provision for sales returns

As at 31st March 2006, the provision for sales returns of the Group was amounted to HK$927,000. This provision was recognised by the Group basing on the best estimates and the actual return will impact the income statement in the period in which the actual return is determined.

5 REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the publication, marketing and distribution of Chinese language lifestyle magazines. Revenues recognised during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Turnover		
Advertising income, net of trade discounts	**151,497**	136,713
Sales of periodicals, net of trade discounts and returns	**36,478**	40,402
	187,975	177,115
Other gains		
Bank interest income	**1,645**	1
Total revenues	**189,620**	177,116

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments

The Group operates mainly in two geographical areas, Hong Kong and Mainland China. The segment results for the year ended 31st March 2005 are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Turnover	166,328	10,787	177,115
Segment results	35,823	(1,604)	34,219
Other gains			1
Unallocated expenses *(Note)*			(5,728)
Finance costs *(Note 23)*			(95)
Profit before income tax			28,397
Income tax expense *(Note 24)*			(6,011)
Profit for the year			22,386

The segment results for the year ended 31st March 2006 are as follows:

	Hong Kong HK$'000	Mainland China HK$'000	Group HK$'000
Turnover	**171,882**	**16,093**	**187,975**
Segment results	**26,940**	**(14,959)**	**11,981**
Other gains			**1,645**
Unallocated expenses			**(8,216)**
Finance costs *(Note 23)*			**(306)**
Profit before income tax			**5,104**
Income tax credit *(Note 24)*			**1,918**
Profit for the year			**7,022**

Note: Corporate expenses incurred by the Group in the current year are classified as unallocated expenses. Accordingly, certain comparative figures have been reclassified to conform to the current year's presentation.

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments (Continued)

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

	Year ended 31st March 2006			Year ended 31st March 2005		
	Hong Kong	**Mainland China**	**Group**	Hong Kong	Mainland China	Group
	HK$'000	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000
Depreciation *(Note 6)*	**909**	**459**	**1,368**	645	115	760
Amortisation *(Note 7)*	**–**	**–**	**–**	–	137	137
Impairment of trade receivables	**417**	**187**	**604**	1,045	14	1,059

The segment assets and liabilities at 31st March 2005 and capital expenditure for the year then ended are as follows:

	Hong Kong	**Mainland China**	**Eliminations**	**Unallocated**	**Group**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets	61,660	10,612	(7,240)	–	65,032
Liabilities	(36,933)	(9,890)	7,240	(2,726)	(42,309)
Capital expenditure ***(Notes 6 and 7)***	1,520	2,700	–	–	4,220

The segment assets and liabilities at 31st March 2006 and capital expenditure for the year then ended are as follows:

	Hong Kong	**Mainland China**	**Eliminations**	**Unallocated**	**Group**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Assets	**170,438**	**19,685**	**(25,490)**	**5,745**	**170,378**
Liabilities	**(23,605)**	**(30,124)**	**25,490**	**(83)**	**(28,322)**
Capital expenditure ***(Note 6)***	**848**	**2,389**	**–**	**–**	**3,237**

5 REVENUES AND SEGMENT INFORMATION (Continued)

Primary reporting format – geographical segments (Continued)

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

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

Capital expenditure comprises additions to property, plant and equipment (Note 6).

Secondary reporting format – business segments

No business segment analysis is presented as the Group has been operating in a single business segment, which is publication, marketing, distribution of Chinese language lifestyle magazines, throughout the years ended 31st March 2006 and 2005.

6 PROPERTY, PLANT AND EQUIPMENT

	Group			
	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
Costs				
At 1st April 2004	1	719	467	1,187
Additions	207	330	1,518	2,055
Acquisition of subsidiaries	32	35	175	242
Disposals	–	(4)	(29)	(33)
At 31st March 2005	240	1,080	2,131	3,451
At 1st April 2005	240	1,080	2,131	3,451
Additions	1,018	539	1,680	3,237
Disposals	(86)	(32)	(25)	(143)
At 31st March 2006	1,172	1,587	3,786	6,545
Accumulated depreciation				
At 1st April 2004	–	52	33	85
Charge for the year	59	275	426	760
Disposals	–	(3)	(17)	(20)
At 31st March 2005	59	324	442	825
At 1st April 2005	59	324	442	825
Charge for the year	232	354	782	1,368
Disposals	(86)	(11)	(12)	(109)
At 31st March 2006	205	667	1,212	2,084
Net book value				
At 31st March 2005	181	756	1,689	2,626
At 31st March 2006	967	920	2,574	4,461

Depreciation is expensed in the administrative expenses.

7 GOODWILL

	2006	2005
	HK$'000	HK$'000
Cost		
Beginning of the year	**2,165**	–
Opening balance adjustment to eliminate against accumulated amortisation and impairment at 1st April 2005	**(137)**	–
Acquisition of subsidiaries	**–**	2,165
End of the year	**2,028**	2,165
Accumulated amortisation and impairment		
Beginning of the year	**137**	–
Opening balance adjustment to eliminate against cost at 1st April 2005	**(137)**	–
Amortisation and impairment for the year	**–**	137
End of the year	**–**	137
Net book value		
At 31st March	**2,028**	2,028

8 INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'000
Unlisted shares, at cost *(Note (a))*	**8,700**	–
Amounts due from subsidiaries *(Note (b))*	**29,508**	1
	38,208	1

8 INTERESTS IN SUBSIDIARIES (Continued)

(a) The following is a list of the principal subsidiaries at 31st March 2006:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
One Media Holdings Limited	British Virgin Islands, limited liability company	Investment holding in Hong Kong	20,000 ordinary shares of US$0.01 each	[1]100%
Top Plus Limited *(Note (iii))*	British Virgin Islands, limited liability company	Investment holding in Hong Kong	10 ordinary shares of US$1 each	100%
Ming Pao Magazines Limited (formerly known as Lisport Company Limited)	Hong Kong, limited liability company	Magazines publishing in Hong Kong	165,000 ordinary shares of HK$10 each	100%
One Media (HK) Limited (formerly known as Ming Pao Magazines Limited)	Hong Kong, limited liability company	Dormant	10 ordinary shares of HK$1 each	100%
Media2U Company Limited	Hong Kong, limited liability company	Magazines advertising and operation in Hong Kong	101 ordinary shares of HK$1 each	100%
One Media Group (HK) Limited (formerly known as M2U Advertising Company Limited)	Hong Kong, limited liability company	Dormant	100 ordinary shares of HK$1 each	100%
Media2U (BVI) Company Limited *(Note (iii))*	British Virgin Islands, limited liability company	Investment holding in Hong Kong	1 ordinary share of US$1 each	100%
Media2U (Beijing) Company Limited ("Media2U (Beijing)") (展鵬共創媒體諮詢(北京)有限責任公司) *(Note (i))*	People's Republic of China ("PRC"), limited liability company	Magazines operation in PRC	Registered capital of US$70,000	100%

8 INTERESTS IN SUBSIDIARIES (Continued)

(a) The following is a list of the principal subsidiaries at 31st March 2006: (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital and debt securities	Interest held
Beijing Times Resource Technology Consulting Limited ("TRT") (北京新時代潤誠科技諮詢有限公司) *(Note (ii))*	PRC, limited liability company	Magazines operation in PRC	Registered capital of RMB3,000,000	[2]100%
Beijing Times Resource Advertising Company Limited ("TRA") (北京時代潤誠廣告有限公司) *(Note (ii))*	PRC, limited liability company	Magazines advertising in PRC	Registered capital of RMB3,500,000	[2]100%
Beijing OMG M2U Advertising Company Limited ("Beijing M2U") (北京萬華共創廣告有限公司) *(Note (i))*	PRC, limited liability company	Magazines advertising in PRC	Registered capital of RMB11,000,000	[3]100%

1 Shares held directly by the Company.

2 TRT and TRA are domestic enterprises in PRC owned legally by the PRC nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that operating and financing activities of TRT and TRA are ultimately controlled by the Group. Under these arrangements, the Group is also entitled to substantially all of the operating profits and residual interests generated by TRT and TRA which will be transferred to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. Further, the Group can receive the cash flow derived from the operations of TRT and TRA through the levying of service and consultancy fees. The ownership interests in TRT and TRA have also been pledged by the legal owners of these companies to the Group. On this basis, the directors regard these companies as wholly-owned subsidiaries of Media2U Company Limited.

3 Beijing M2U is 70% and 30% held by Media2U Company Limited and TRA respectively.

8 INTERESTS IN SUBSIDIARIES (Continued)

(a) The following is a list of the principal subsidiaries at 31st March 2006: (Continued)

Notes:

(i) Media2U (Beijing) and Beijing M2U have adopted 31st December as its financial year end date. Beijing Prosperity of New Era Certified Public Accountants acted as the statutory auditors of these companies for the financial year ended 31st December 2005.

(ii) These companies have adopted 31st December as their financial year end date. No statutory accounts of these companies are required for the financial years ended 31st December 2005 and 2004.

(iii) No statutory accounts of these entities are required for the financial years ended 31st March 2006 and 2005.

(b) Amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivable	**46,679**	44,577	**–**	–
Less: provision for impairment of trade receivable	**(1,471)**	(1,035)	**–**	–
Trade receivable – net	**45,208**	43,542	**–**	–
Prepayments and deposits	**6,807**	5,678	**79**	–
	52,015	49,220	**79**	–

The carrying amounts of trade and other receivables approximate their fair values.

The Group allows in general a credit period ranging from 60 days to 90 days to its trade customers. At 31st March 2006, the ageing analysis of the Group's net trade receivable was as follows:

	2006	2005
	HK$'000	HK$'000
0 to 60 days	**24,422**	24,375
61 to 120 days	**13,408**	13,096
121 to 180 days	**6,394**	5,591
Over 180 days	**984**	480
	45,208	43,542

9 TRADE AND OTHER RECEIVABLES (Continued)

There is no concentration of credit risk with respect to trade receivables as the Group has a large number of customers.

The Group has recognised a loss of HK$604,000 (2005: HK$1,059,000) for the impairment of its trade receivable during the year ended 31st March 2006. The loss has been included in selling and distribution costs in the consolidated income statement.

10 INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**10,963**	1,932
Finished goods	**114**	127
	11,077	2,059

The cost of inventories recognised as expense and included in cost of goods sold amounted to HK$47,786,000 (2005: HK$29,844,000).

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**8,862**	8,175	**29**	–
Short-term bank deposits	**85,258**	–	**76,258**	–
	94,120	8,175	**76,287**	–

The effective interest rate on short–term bank deposits was 4.37% (2005: Nil); these deposits have an average maturity of 30 days.

11 CASH AND CASH EQUIVALENTS (Continued)

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**94,120**	8,175	**76,287**	–
Bank overdrafts	**(30)**	–	**–**	–
	94,090	8,175	**76,287**	–

Included in the cash and cash equivalents of the Group are cash and bank deposits denominated in Renminbi placed with banks in the Mainland China amounting to HK$4,318,000 (2005: HK$879,000), of which the remittance is subject to foreign exchange control.

12 SHARE CAPITAL

	Number of shares (in thousands)	**Ordinary shares** HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 11th March 2005 (date of incorporation) and 31st March 2005	1,000	1	–	1
Issuance of shares for Reorganisation *(Note (a))*	299,000	299	8,406	8,705
Issuance of shares for IPO *(Note (b))*	100,000	100	102,967	103,067
At 31st March 2006	400,000	400	111,373	111,773

The total authorised number of ordinary shares is 4,000 million shares (2005: 100 million shares) with a par value of HK$0.001 per share (2005: HK$0.001 per share). All issued shares are fully paid. Pursuant to the written resolution of the sole shareholder of the Company passed on 14th September 2005, the authorised share capital of the Company was increased from 100 million shares to 4,000 million shares by the creation of an additional 3,900 million shares.

Notes:

(a) On 26th September 2005, the Company allotted and issued 294,500,000 shares to its immediate holding company credited as fully paid in consideration of the transfer of the entire issued share capital of its subsidiary to the Company. On the same date, the Company allotted and issued 3,000,000 shares to Venture Logic Investments Limited and 1,500,000 shares to Alpha Media Consultants Limited for cash at par pursuant to the exercise of the options granted.

(b) The Company issued 100,000,000 shares at HK$1.2 per share by way of public offer and placing in October 2005. The shares of the Company were listed on the Main Board of the Stock Exchange on 18th October 2005. Share issuance costs of HK$17,088,000 were offset against the share premium at the date of listing.

12 SHARE CAPITAL (Continued)

Share options

The pre-IPO share option scheme ("Pre-IPO Scheme") and the post-IPO scheme ("Post-IPO Scheme") (together the "Schemes") conditionally approved and adopted by ordinary resolutions of the shareholders of the Company and Ming Pao Enterprise Corporation Limited ("MPE") on 26th September 2005 ("Adoption Date"). The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Post-IPO Scheme (where applicable) except for the following principal terms: (a) the subscription price per share shall be the offer price; and (b) no options will be offered or granted upon the commencement of dealings in the shares on the Stock Exchange.

Pursuant to the Schemes, the Board may, at its absolute discretion, grant share options to any full time employees, executive and non-executive directors (including independent non-executive directors) of the Group or the MPE and its subsidiaries (for so long as the Company remains a subsidiary of MPE) to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

The period within which an option may be exercised under each of the Schemes will be determined and notified by the Board in its absolute discretion (subject to any vesting periods, if applicable), save that no option may be exercised later than 10 years from the date of offer of the option or 10 years after the Adoption Date, whichever is earlier. As evidenced by the vesting periods of the options granted under the Pre-IPO Scheme, no option granted under the Pre-IPO Scheme will be exercisable within six months from the Listing Date. Save for the number of shares which may be subscribed for pursuant to the exercise of options and the vesting periods of the options granted, each option so granted under the Pre-IPO Scheme has the same terms and conditions.

Movements in the number of share options outstanding and the average exercise price are as follows:

	Average exercise price in HK$ per share	**Number of share options** (in thousands)
At 11th March 2005 (date of incorporation) and 31st March 2005	–	–
Granted	1.2	14,680
Lapsed	1.2	(208)
At 31st March 2006	1.2	14,472

12 SHARE CAPITAL (Continued)

Share options (Continued)

The above share options were conditional granted on 27th September 2005 and the exercisable period is from 18th October 2005 to 25th September 2015 with all of them being non-exercisable as at 31st March 2006.

During the year, no share options were exercised or cancelled and 208,000 share options were lapsed.

The fair value of options granted during the year determined using the binomial option valuation model was HK$6,380,000. The significant inputs into the model were share price of HK$1.2 (being the IPO and placing share price of the Group), volatility of the underlying stock of 48% (being the volatility of the stock returns of listed companies in the media industry in Hong Kong), risk-free interest rates of 4.16% (being the yield of 10-year fund note issued by the Hong Kong Monetary Authority as at 23rd September 2005 ("Valuation Date")), forfeiture rate of 5.7% per annum (with reference to historical staff turnover rates of the Company, its subsidiaries, fellow subsidiaries and related companies), and suboptimal exercise factor of 1.4 (being the factor to account the early exercise behavior of the share option).

Share compensation costs on share options granted are amortised over one year and five years respectively in accordance with terms specified in the Pre-IPO Scheme. HK$794,000 was recognised and specified in the consolidated income statement for the year ended 31st March 2006.

13 AMOUNTS DUE TO THE IMMEDIATE HOLDING COMPANY, A SUBSIDARY AND FELLOW SUBSIDIARIES

All amounts due are unsecured, non-interest bearing and are repayable on demand. The amount due to the immediate holding company of HK$3,339,000 as at 31st March 2005 are financing in nature which has been fully repaid during the year. Except for this, the remaining amounts are trading in nature.

14 OTHER RESERVES

(a) Group

	Employee share-based payment reserve HK$'000	Merger reserve HK$'000 *(Note (i))*	Share premium HK$'000	Capital reserve HK$'000 *(Note (ii))*	Share issuance costs HK$'000	Exchange reserve HK$'000	Total HK$'000
Balance at 1st April 2004	–	1,650	–	10,000	–	–	11,650
Currency translation differences	–	–	–	–	–	3	3
Share issuance costs *(Note 12)*	–	–	–		(432)	–	(432)
Balance at 31st March 2005	–	1,650	–	10,000	(432)	3	11,221
Balance at 1st April 2005	–	1,650	–	10,000	(432)	3	11,221
Share issuance costs *(Note 12)*	–	–	–	–	(16,656)	–	(16,656)
Transfer of share issuance costs	–	–	(17,088)	–	17,088	–	–
Issuance of shares for Reorganisation *(Note 12)*	–	–	8,406	–	–	–	8,406
Issuance of shares for IPO *(Note 12)*	–	–	120,055	–	–	–	120,055
Currency translation differences	–	–	–	–	–	(341)	(341)
Share compensation costs on share options granted *(Note 22)*	794	–	–	–	–	–	794
Balance at 31st March 2006	794	1,650	111,373	10,000	–	(338)	123,479

Notes:

(i) Merger reserve of the Group represented the difference between the nominal value of the issued share capital of One Media (HK) Limited (formerly known as Ming Pao Magazines Limited) and Ming Pao Magazines Limited (formerly known as Lisport Company Limited) acquired and the consideration of HK$11 paid pursuant to the Reorganisation.

(ii) On 31st July 1992, Ming Pao Magazines Limited (formerly known as Lisport Company Limited) assigned the publishing title "City Children's Weekly" to Ming Pao Finance Limited, a fellow subsidiary, for a total consideration of HK$10,000,000. The consideration was determined in accordance with directors' valuation with reference to the consideration paid for the acquisition of the company by Ming Pao Holdings Limited in July 1992. The amount was transferred to the non-distributable reserve during that year.

14 OTHER RESERVES (Continued)

(b) Company

	Share premium HK$'000	Share issuance costs HK$'000	Total HK$'000
Balance at 11th March 2005 (date of incorporation) and 31st March 2005	–	(432)	(432)
Share issuance costs *(Note 12)*	–	(16,656)	(16,656)
Transfer of share issuance costs	(17,088)	17,088	–
Issuance of shares for Reorganisation *(Note 12)*	8,406	–	8,406
Issuance of shares for IPO *(Note 12)*	120,055	–	120,055
Balance at 31st March 2006	111,373	–	111,373

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2006 HK$'000	2005 HK$'000	**2006 HK$'000**	2005 HK$'000
Trade payable	**11,324**	3,591	**–**	–
Accrued expenses and receipts in advance	**13,799**	8,806	**1,704**	–
	25,123	12,397	**1,704**	–
Amount due to the immediate holding company	**–**	3,339	**–**	–
Amount due to a subsidiary	**–**	–	**–**	432
Amounts due to fellow subsidiaries	**2,402**	1,838	**–**	–
	27,525	17,574	**1,704**	432

15 TRADE AND OTHER PAYABLES (Continued)

At 31st March 2006, the ageing analysis of the trade payable is as follows:

	2006	2005
	HK$'000	HK$'000
0 to 60 days	**8,660**	3,547
61 to 120 days	**2,340**	6
121 to 180 days	**196**	–
Over 180 days	**128**	38
	11,324	3,591

16 TRUST RECEIPT LOANS

	Group	
	2006	2005
	HK$'000	HK$'000
Trust receipt loans	**338**	–

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates is minimal as all trust receipt loans were unsecured and will become mature within 120 days.

The effective interest rates at the balance sheet date was 6.68%. The carrying amounts of trust receipt loans which are denominated in HK dollars approximate their fair values.

17 BANK FACILITIES

The Group has the following undrawn borrowing facilities:

	Group	
	2006	2005
	HK$'000	HK$'000
Floating rate		
– expiring within one year	**19,662**	–

The facilities expiring within one year are annual facilities subject to review at various dates during 2006.

18 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts offset are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**(304)**	–
– Deferred income tax assets to be recovered within 12 months	**(3,727)**	(29)
	(4,031)	(29)
Deferred income tax liabilities:		
– Deferred income tax liabilities to be recovered within 12 months	**292**	270

The movements on the deferred income tax assets/(liabilities) are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Beginning of the year	**(241)**	(75)
Credited/(charged) in the consolidated income statement *(Note 24)*	**3,980**	(166)
End of the year	**3,739**	(241)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities:

	Accelerated depreciation allowances
	HK$'000
At 1st April 2004	137
Charged in the consolidated income statement	133
At 31st March 2005	270
Charged in the consolidated income statement	22
At 31st March 2006	292

18 DEFERRED INCOME TAX (Continued)

Deferred income tax assets:

	Tax losses	Provision of assets	Total
	HK$'000	HK$'000	HK$'000
At 1st April 2004	–	(62)	(62)
Charged in the consolidated income statement	–	33	33
At 31st March 2005	–	(29)	(29)
(Credited)/charged in the consolidated income statement	(4,031)	29	(4,002)
At 31st March 2006	(4,031)	–	(4,031)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$1,101,000 (2005: HK$4,300,000) in respect of losses amounting to HK$4,916,000 (2005: HK$24,572,000) that can be carried forward against future taxable income. All unrecognised tax losses will expire by the end of December 2006.

19 DEFINED BENEFIT PLAN'S ASSETS

The Group's fellow subsidiary, Ming Pao Holdings Limited, operates a number of staff retirement schemes which include a hybrid retirement benefit scheme (the "Scheme") for its employees in Hong Kong.

The Scheme has three categories of members: Regular Member, Special Member and Defined Benefit ("DB") Member.

Regular Member – defined contribution type of benefits based on accumulated contributions and investment gains and losses thereon.

Special Member – benefits based on final salary and service period or accumulated employer's contributions with credited investment gains and losses, whichever is higher.

DB Member – defined benefits based on final salary and service period only.

Each member and the employer are also required to contribute monthly at 5% of the basic monthly salaries to the Scheme respectively. The accumulated members' contributions with investment gains and losses will be paid to the members upon their leaving of the employment in addition to the benefits described above.

19 DEFINED BENEFIT PLAN'S ASSETS (Continued)

Defined benefits for special and DB members are assessed using the projected unit credit method. The pension costs are charged to the consolidated income statement so as to spread the regular costs over the service lives of employees. A full valuation of the defined benefit scheme based on the projected unit credit method has been carried out by Watson Wyatt Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the consolidated income statement in accordance with its advice.

The amounts recognised in the consolidated balance sheet are determined as follows:

	2006	2005
	HK$'000	HK$'000
Fair value of plan's assets	**2,917**	2,659
Present value of defined benefit obligations	**(2,520)**	(2,355)
	397	304
Unrecognised actuarial losses	**522**	620
Assets in the consolidated balance sheet	**919**	924

The amounts recognised in the consolidated income statement are as follows:

	2006	2005
	HK$'000	HK$'000
Current service cost	**(152)**	(153)
Interest cost	**(94)**	(82)
Expected return on plan's assets	**188**	167
Net actuarial losses recognised during the year	**(27)**	(28)
Total pension costs, included in staff benefits expenses *(Note 22)*	**(85)**	(96)

Total pension costs were included in administrative expenses in for the years ended 31st March 2006 and 2005.

The actual return on plan's assets was HK$409,000 (2005: HK$224,000).

19 DEFINED BENEFIT PLAN'S ASSETS (Continued)

The movement in the assets recognised in the consolidated balance sheet is as follows:

	2006 HK$'000	2005 HK$'000
Beginning of the year	924	936
Total pension costs recognised as above	(85)	(96)
Contributions paid	80	84
End of the year	919	924

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	4.5%	4%
Expected return on plan's assets	7%	7%
Future salary increases		
2005 – 2007	1.5%	1.5%
2008 onwards	4%	4%

20 LONG SERVICE PAYMENT

The provision for long service payment represents present value of the obligation under long service payment and respective actuarial gains. The movement during the year is the net-off of current service costs and interest on obligation against long service payment during the year. Current service costs and interest on obligation were recognised during the year and included in staff benefits expenses (Note 22).

The amount recognised in the consolidated balance sheet is as follows:

	2006 HK$'000	2005 HK$'000
Present value of the obligation	90	9
Unrecognised actuarial gains	(103)	–
(Assets)/ liabilities	(13)	9

20 LONG SERVICE PAYMENT (Continued)

Movement in the provision for long service payment (assets)/liabilities is as follows:

	2006 HK$'000	2005 HK$'000
Beginning of the year	9	6
Net expense recognised in the consolidated income statement	1	3
Long service payment made during the year	(23)	–
End of the year	(13)	9

The principal actuarial assumption used was as follows:

	2006	2005
Average future working lifetime (in years)	14	13

21 EXPENSES BY NATURE

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

	2006 HK$'000	2005 HK$'000
Depreciation *(Note 6)*	1,368	760
Amortisation *(Note 7)*	–	137
Employee benefit expense *(Note 22)*	53,860	41,370
Raw materials used	47,786	29,844
Loss on disposal of property, plant and equipment	34	13
Occupancy costs	2,993	2,016
Auditors' remuneration	802	296

22 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS

	2006 HK$'000	2005 HK$'000
Wages and salaries	**48,088**	38,229
Unutilised annual leave	**365**	568
Social security costs *(Note a)*	**1,071**	208
Share compensation costs on share options granted *(Note 12)*	**794**	–
Pension costs – defined contribution plans and MPF Scheme *(Note b)*	**1,328**	1,300
Pension costs – defined benefit plans *(Note 19)*	**85**	96
Staff welfare and allowances	**2,129**	969
	53,860	41,370

(a) Social security costs

All employees of the subsidiaries of the Company in the PRC excluding Hong Kong who are PRC citizens participate in employee social security plans enacted in the PRC, including pension, medical and other welfare benefits, which are organised and administrated by the governmental authorities. According to the relevant regulations, the Group contributes on a monthly basis based on certain percentages of the salaries of the employees, subject to a certain ceiling, and are paid to the labour and social welfare authorities. Contributions to the plans are expenses as incurred.

(b) Pensions – defined contribution plans and MPF Scheme

Forfeited contributions totaling HK$143,000 (2005: HK$146,000) were utilised during the year. Forfeiture reserve of HK$3,403,000 (2005: HK$2,953,000) available as at year end has been carried forward to reduce future contributions.

Contributions totaling HK$480,000 (2005: HK$499,000) were payable to the fund at the year-end.

22 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Directors' emoluments

Details of directors' emoluments for the year ended 31st March 2006 are set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Contributions to pension scheme	Share compensation costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. TIONG Kiu King	–	–	–	–	50	50
Mr. TIONG Kiew Chiong	–	–	–	–	50	50
Mr. Peter Bush BRACK	–	1,620	–	11	50	1,681
Mr. TUNG Siu Ho, Terence	–	1,620	95	81	40	1,836
Mr. Robert William Hong-San YUNG	–	1,200	–	11	40	1,251
Independent Non-Executive Directors						
Mr. YU Hon To, David	60	–	–	–	6	66
Mr. SIT Kien Ping, Peter	60	–	–	–	6	66
Mr. TAN Hock Seng, Peter	60	–	–	–	6	66

Details of directors' emoluments for the year ended 31st March 2005 is set out below:

Name of Director	Fees	Salary	Discretionary bonuses	Contributions to pension scheme	Share compensation costs	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive Directors						
Mr. TIONG Kiu King	–	–	–	–	–	–
Mr. TIONG Kiew Chiong	–	–	–	–	–	–
Mr. Peter Bush BRACK	–	1,100	–	–	–	1,100
Mr. TUNG Siu Ho, Terence	–	1,380	122	60	–	1,562
Mr. Robert William Hong-San YUNG	–	1,100	–	–	–	1,100
Independent Non-Executive Directors						
Mr. YU Hon To, David	–	–	–	–	–	–
Mr. SIT Kien Ping, Peter	–	–	–	–	–	–
Mr. TAN Hock Seng, Peter	–	–	–	–	–	–

22 EMPLOYEE BENEFIT EXPENSE, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2005: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2005: 3) individuals during the year are as follows:

	2006	2005
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**4,048**	3,863
Discretionary bonuses	**118**	59
Contributions to pension scheme	**126**	103
Share compensation costs on share options granted	**74**	–
	4,366	4,025

The emoluments fell within the following bands:

	Number of individuals	
	2006	2005
	HK$'000	HK$'000
Emolument bands		
HK$1,000,001 – HK$1,500,000	**2**	3
HK$1,500,001 – HK$2,000,000	**1**	–

23 FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on trust receipt loans	**263**	94
Bank interest expenses	**43**	1
	306	95

24 INCOME TAX (CREDIT)/EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year.

The PRC enterprise income tax has been provided at the applicable rates between 7.5% and 33% on the profit of the Group's operations in PRC, in accordance with the income tax laws of PRC for foreign-invested enterprises and domestic companies.

	2006 HK$'000	2005 HK$'000
Hong Kong profits tax		
– current income tax	**2,316**	5,734
– under/(over)provision in prior years	**35**	(146)
PRC enterprise income tax		
– current income tax	**83**	257
– overprovision in prior years	**(372)**	–
Deferred income tax (credit)/charge *(Note 18)*	**(3,980)**	166
	(1,918)	6,011

24 INCOME TAX (CREDIT)/EXPENSE (Continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2006 **HK$'000**	2005 HK$'000
Profit before tax	**5,104**	28,397
Notional tax calculated at domestic tax rates applicable to profits in the respective countries	**813**	4,237
Income not subject to tax	**(386)**	–
Expenses not deductible for tax purposes	**1,180**	551
Recognition of deferred income tax asset arising from previously unrecognised tax losses	**(4,291)**	–
Tax losses for which no deferred income tax asset was recognised	**1,103**	1,369
Overprovision in prior years	**(337)**	(146)
Tax (credit)/expense	**(1,918)**	6,011

The weighted average applicable tax rate was –38% (2005: 21%). The decrease is caused by the recognition of previously unrecognised tax losses in year 2006.

25 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$403,000 (2005: HK$Nil).

26 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year (Note 12).

	2006 HK$'000	2005 HK$'000
Profit attributable to the equity holders of the Company	**7,022**	22,386
Weighted average number of ordinary shares in issue (in thousands)	**343,011**	295,500
Basic earnings per share (HK cents per share)	**2.05**	7.58

The calculation of basic earnings per share for the year is based on the Group's profit attributable to the equity holders of the Company and the weighted average number of ordinary shares. 294,500,000 ordinary shares issued by the Company to the immediate holding company on 26th September 2005 deemed to be in issue during the year as if the share capital of the Company outstanding immediately after the share exchange in connection with the Reorganisation had been in existence throughout the years and the issuance of 4,500,000 ordinary shares pursuant to the exercise of share options in September 2005.

Diluted earnings per share is not shown as there is no dilutive effect arising from the share options granted by the Company.

27 DIVIDENDS

No dividends were paid during the year ended 31st March 2006 (2005: dividend of HK$16,000,000 was paid by the Company's subsidiary, One Media (HK) Limited (previously known as Ming Pao Magazines Limited), to its former shareholder on 28th September 2005). A dividend in respect of 2006 of HK0.375 cent per share, amounting to a total dividend of HK$1,500,000 is to be proposed at the annual general meeting on 8th September 2006. Upon approval by the shareholders of the Company, the final dividend will be paid on 20th September 2006 to shareholders whose names appear on the register of members of the Company on 8th September 2006. These financial statements do not reflect this dividend payable but account for it as proposed dividend.

	2006 HK$'000	2005 HK$'000
Special dividend paid	**–**	16,000
Proposed final dividend of HK0.375 cent (2005: Nil) per ordinary share	**1,500**	–
	1,500	16,000

28 CASH GENERATED FROM OPERATIONS

	2006	2005
	HK$'000	HK$'000
Profit for the year	**7,022**	22,386
Adjustments for:		
– Tax *(Note 24)*	**(1,918)**	6,011
– Depreciation *(Note 6)*	**1,368**	760
– Amortisation *(Note 7)*	**–**	137
– Loss on sale of property, plant and equipment (see below)	**34**	13
– Interest income *(Note 5)*	**(1,645)**	(1)
– Interest expense *(Note 23)*	**306**	95
– Share compensation costs on share options granted	**794**	–
Changes in working capital:		
– Decrease in defined benefit plan's assets	**5**	12
– Decrease in amounts due from fellow subsidiaries	**–**	4,989
– Increase in long service payment assets	**(13)**	–
– (Decrease)/increase in long service payment liabilities	**(9)**	3
– Increase in inventories	**(9,018)**	(147)
– Increase in trade and other receivables	**(2,795)**	(9,017)
– (Decrease)/increase in amount due to the immediate holding company	**(3,339)**	2,895
– Increase in amounts due to fellow subsidiaries	**564**	–
– Increase/(decrease) in trade and other payables	**11,022**	(2,189)
Cash generated from operations	**2,378**	25,947

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

	2006	2005
	HK$'000	HK$'000
Net book amount *(Note 6)*	**34**	13
Loss on disposal of property, plant and equipment *(Note 21)*	**(34)**	(13)
Proceeds from disposal of property, plant and equipment	**–**	–

Non-cash transaction

The principal non-cash transaction was the issue of shares as consideration for the acquisition discussed in Note 12.

29 COMMITMENTS

(a) Capital commitments

Capital commitment at the balance sheet date but not yet incurred is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**2,649**	–

(b) Operating lease commitments

The Group leases various offices, staff quarters and warehouses under non-cancellable operating lease agreements. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Not later than 1 year	**2,994**	2,537
Later than 1 year and not later than 5 years	**7,510**	6,174
	10,504	8,711

There is no capital and operating lease commitment for the Company as at 31st March 2006 (2005: Nil).

30 RELATED-PARTY TRANSACTIONS

The Group is controlled by Winmax Resources Limited (incorporated in the British Virgin Islands), which owns 73.875% of the Company's shares. The remaining 26.125% of the shares are widely held. The ultimate parent of the Group is Ming Pao Enterprise Corporation Limited (incorporated in Bermuda).

The following transactions were carried out with related parties:

(i) During the year ended 31st March 2006, the Group had entered into the following significant transactions with related parties:

	Note	**2006** **HK$'000**	2005 HK$'000
License fee	a	**13,658**	13,307
Circulation support services	b	**3,117**	3,240
Library support services	c	**304**	245
Editorial support services	d	**283**	410
EDP programming support services	e	**943**	593
Administrative support services	f	**1,664**	1,664
Personnel, public relations and legal services	g	**961**	1,050
Leasing of computers and other office equipment	h	**228**	326
Leasing of office space, storage space and parking spaces	i	**1,510**	1,257
Type-setting expenses	j	**127**	138
Colour separation expenses	k	**891**	519
Film making expenses	l	**198**	200
Ticketing and accommodation expenses	m	**703**	218
Barter advertising expenses	n	**1,000**	944
Barter advertising income	o	**(1,000)**	(944)
Printing costs	p	**160**	–
Promotion expenses	q	**93**	–
		24,840	23,167

30 RELATED-PARTY TRANSACTIONS (Continued)

(i) During the year ended 31st March 2006, the Group had entered into the following significant transactions with related parties (Continued):

Notes:

(a) This represented license fee of the right to use the trademark for the print of Ming Pao Weekly, Hi-TECH Weekly, City Children's Weekly and their past contents by a fellow subsidiary. It is charged at a pre-determined rate calculated by reference to the license fees charged by third party licensors to the Group.

(b) This represented recharge of circulation support services relating to the distribution, sale and promotion of the publications of the Group by a fellow subsidiary. It is charged on a cost reimbursement basis.

(c) This represented recharge by a fellow subsidiary relating to provision of library support services including data classification, data indexing and filing, data storage management and retrieval, data provision and newspaper clipping. It is charged on a cost reimbursement basis.

(d) This represented recharge of editorial support services relating to specific contents requested by the Group for their publications by a fellow subsidiary. It is charged on a cost reimbursement basis.

(e) This represented recharge of internet-related services, networking services, data management services, general computing and programming support services and system analysis by a fellow subsidiary. It is charged on a cost reimbursement basis.

(f) This represented recharge of security services, cleaning services, mail processing and messenger services, ordering and distribution of office supplies services, receptionist and general clerical services by a fellow subsidiary. It is charged on a cost reimbursement basis.

(g) This represented recharge of personnel, administration service and corporate communication service by a fellow subsidiary. It is charged on a cost reimbursement basis.

(h) This represented the total amount of the depreciation charges of the equipment provided by a fellow subsidiary. They are charged on a cost reimbursement basis.

(i) This represented the rental for leasing of office space, storage space and parking space by a fellow subsidiary. The rentals are charged at a pre-determined rate calculated by reference to the prevailing market rates.

(j) This represented the type-setting charges paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the cost incurred.

(k) This represented the colour separation charge paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the cost incurred.

(l) This represented the film making charge paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the cost incurred.

(m) This represented the ticketing and accommodation expenses paid to a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customers.

30 RELATED-PARTY TRANSACTIONS (Continued)

(i) During the year ended 31st March 2006, the Group had entered into the following significant transactions with related parties (Continued):

(n) This represented the advertising expenses on barter basis in accordance with barter advertising agreement entered into with a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customer.

(o) This represented the advertising income on barter basis in accordance with barter advertising agreement entered into with a fellow subsidiary. It is charged at a pre-determined rate calculated based on the rates charged to third party customer.

(p) This represented the printing costs of promotional leaflets for Hi-TECH Weekly charged by a fellow subsidiary. It is charged at a pre-determined rate calculated based on the costs incurred.

(q) This represented promotion expenses paid to the fellow subsidiaries. It is charged at a pre-determined rate calculated based on the rates charged to third party customers

(ii) Year end balance arising from the related parties transactions as disclosed in Note 30 (i) above were as follows:

	2006	2005
	HK$'000	HK$'000
Amounts due to fellow subsidiaries	**(2,402)**	(1,838)

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

(iii) Key management compensation

	2006	2005
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**5,800**	4,902
Contributions to pension scheme	**115**	72
Share compensation costs on share options granted	**269**	–
	6,184	4,974

Four-year Financial Summary

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

	For the year ended 31st March			
	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**187,975**	177,115	151,564	154,529
Profit attributable to the equity holders of the Company	**7,022**	22,386	21,223	19,665
Basic earnings per share	**2.05 cents**	7.58 cents	NA	NA

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

	As at 31st March			
	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000
Goodwill	**2,028**	2,028	–	–
Property, plant and equipment	**4,461**	2,626	1,102	–
Defined benefit plan's assets	**919**	924	936	936
Long service payment assets	**13**	–	–	–
Deferred income tax assets	**304**	–	–	82
Current assets	**162,653**	59,454	48,834	57,261
Current liabilities	**(27,976)**	(42,059)	(36,474)	(40,900)
Net current assets	**134,677**	17,395	12,360	16,361
Total assets less current liabilities	**142,402**	22,973	14,398	17,379
Long service payment liabilities	**–**	(9)	(6)	–
Deferred income tax liabilities	**–**	(241)	(75)	–
Capital and reserves attributable to the equity holders of the Company	**142,402**	22,723	14,317	17,379