万 华 媒 体
ONEMEDIAGROUP

# One Media Group Limited

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 426)**

## ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2017

The directors (the "Directors") of One Media Group Limited (the "Company") announce the consolidated final results of the Company and its subsidiaries (the "Group") for the year ended 31st March 2017 as follows:

### CONSOLIDATED INCOME STATEMENT

*Year ended 31st March*

| | *Note* | **2017** ***HK$'000*** | 2016 *HK$'000* |
|---|---|---|---|
| Turnover | *3* | **104,094** | 137,247 |
| Cost of goods sold | | **(68,801)** | (74,624) |
| **Gross profit** | | **35,293** | 62,623 |
| Other income | | **1,936** | 4,127 |
| Selling and distribution expenses | | **(26,512)** | (34,186) |
| Administrative expenses | | **(36,122)** | (44,409) |
| Provision for impairment on trademarks | *4* | **(38,420)** | – |
| **Operating loss** | | **(63,825)** | (11,845) |
| Loss on change in fair value of convertible bond | | **–** | (218) |
| Share of results of joint ventures and associates | | **3,372** | 636 |
| **Loss before income tax** | | **(60,453)** | (11,427) |
| Income tax expenses | *8* | **(1,566)** | (4,178) |
| **Loss for the year** | | **(62,019)** | (15,605) |
| **Loss attributable to:** | | | |
| Owners of the Company | | **(62,019)** | (15,605) |
| Non-controlling interests | | **–** | – |
| | | **(62,019)** | (15,605) |
| **Loss per share attributable to owners of the Company for the year (expressed in HK cents per share)** | | | |
| — Basic and diluted | *9* | **(15.5)** | (3.9) |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*Year ended 31st March*

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Loss for the year** | **(62,019)** | (15,605) |
| **Other comprehensive (loss)/income:** | | |
| ***Item that may be reclassified to profit or loss*** | | |
| Currency translation differences | **(752)** | (1,131) |
| ***Item that will not be reclassified subsequently to profit or loss*** | | |
| Actuarial gain/(loss) on long service payment obligations | **50** | (57) |
| **Total comprehensive loss for the year** | **(62,721)** | (16,793) |
| **Attributable to:** | | |
| Owners of the Company | **(62,721)** | (16,793) |
| Non-controlling interests | **–** | – |
| | **(62,721)** | (16,793) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31st March*

| | Note | **2017** | 2016 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,006** | 2,598 |
| Intangible assets | *4* | **25,302** | 66,268 |
| Investments accounted for using the equity method | | **5,680** | 5,808 |
| Deferred income tax assets | | **–** | 30 |
| **Total non-current assets** | | **32,988** | 74,704 |
| **Current assets** | | | |
| Inventories | | **4,686** | 6,167 |
| Trade and other receivables | *5* | **25,321** | 37,745 |
| Amounts due from fellow subsidiaries | *5* | **29** | 39 |
| Income tax recoverable | | **4,445** | 5,260 |
| Cash and cash equivalents | | **38,325** | 48,470 |
| **Total current assets** | | **72,806** | 97,681 |
| **Total assets** | | **105,794** | 172,385 |
| **EQUITY** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | | **401** | 401 |
| Share premium | | **457,543** | 457,543 |
| Other reserves | | **(326,462)** | (325,760) |
| (Accumulated losses)/retained earnings | | **(46,430)** | 15,589 |
| **Total equity** | | **85,052** | 147,773 |
| **Non-current liabilities** | | | |
| Long service payment obligations | | **72** | 114 |
| **Total non-current liabilities** | | **72** | 114 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | *6* | **19,775** | 22,463 |
| Short-term bank borrowing | | **–** | 936 |
| Amounts due to fellow subsidiaries | *6* | **895** | 1,099 |
| **Total current liabilities** | | **20,670** | 24,498 |
| **Total liabilities** | | **20,742** | 24,612 |
| **Total equity and liabilities** | | **105,794** | 172,385 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 11th March 2005 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350 GT, George Town, Grand Cayman, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively "the Group") are principally engaged in media business in the Greater China region, including but not limited to magazine publishing and digital media business.

This consolidated financial information is presented in Hong Kong dollars ("HK$"), unless otherwise stated, and has been approved for issue by the Board of Directors on 29th May 2017.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**Basis of preparation**

The consolidated financial information of the Group has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") and under the historical cost convention. This consolidated financial information also included applicable disclosure requirements of Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("HK Listing Rules").

The preparation of financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

*(i) New and amended standards adopted by the Group*

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1st April 2016.

(a) Amendments to IAS 1, "*Disclosure initiative*";

(b) Amendments to IAS 16 and 38, "*Clarification of acceptable methods of depreciation and amortisation*";

(c) Amendments to HKAS 27, "*Equity method in separate financial statements*";

(d) Amendments to IFRS 10, 12 and IAS 28, "*Investment entities: applying the consolidation exception*";

(e) Amendments to IFRS 11, "*Accounting for acquisitions of interests in joint operations*";

(f) Annual improvement 2014, "*Annual improvement 2012–2014 cycle*".

There are no IFRSs or International Financial Reporting Interpretations Committee ("IFRIC") interpretations that are effective for the first time for the financial year beginning on 1st April 2016 that would have a material impact on the Group's financial performance and position.

*(ii) New accounting standards, amendments to standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st April 2016, and have not been applied in preparing this consolidated financial information.

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendments to IAS 7 | Statement of cash flows | 1st January 2017 |
| Amendments to IAS 12 | Income taxes | 1st January 2017 |
| Amendments to IFRS 2 | Classification and measurement of share-based payment transaction | 1st January 2018 |
| IFRS 9 | Financial Instruments | 1st January 2018 |
| IFRS 15 | Revenue from contracts with customers | 1st January 2018 |
| IFRS 16 | Leases | 1st January 2019 |
| Amendments to IFRS 10 and IAS 28 | Sale or contribution if assets between and investor and its associate and joint venture | *To be determined* |

The Group will adopt the above new or revised standards, amendments and interpretations to existing standards as and when they become effective. Management is in the process of assessing the impact of these standards, amendments and interpretations to existing IFRS and set out below are the expected impact on the Group's financial performance and position:

IFRS 9 introduces a new model for the recognition of impairment losses — the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. While the Group has yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

IFRS 9, 'Financial Instruments', also addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. Where the Group has yet to undertaken a detailed assessment of the classification, measurement and recognition of the financial assets and liabilities the management does not expect adopting IFRS9 will have a material impact to the consolidated financial statements. The standard is effective for accounting periods beginning on or after 1st January 2018. Early adoption is permitted.

The Group intends to quantify the potential impact of IFRS 9 once it is practicable to provide reliable estimates.

IFRS 15, "Revenue from contracts with customers", deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 "Construction contracts" and related interpretations.

IFRS 16, "Leases" addresses the definition of a lease, recognition and measurement of leases. The standard replaces IAS 17 "Leases" and related interpretations. The Group is a lessee of office premises, which are currently classified as operating leases.

IFRS 16 provides new provisions for the accounting treatment of leases and will in the future no longer allow lessees to amortisation certain leases outside of the consolidated statements of financial position. Instead, all non-current leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in right-of-use asset and an increase in financial liability in the consolidated statement of financial position. This will affect related ratios, such as increase in debt to capital ratio. In the consolidated statements of comprehensive income, leases will be recognised in the future as depreciation and amortisation and will no longer be recorded as property rental and related expenses. Interest expense on the lease liability will be presented separately from depreciation and amortisation under finance costs. As a result, the property rental and related expenses under otherwise identical circumstances will decrease, while depreciation and amortisation and the interest expense will increase. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial year of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year 2019, including the adjustment of prior years.

The management of the Group anticipated that the application of the other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial information.

## 3 SEGMENT INFORMATION

IFRS 8 "Operating Segments" requires operating segments to be identified based on internal reporting that is regularly reviewed by the chief operating decision maker. The Group regards the Executive Committee as the chief operating decision maker being responsible for allocating resources to segments and assessing their performance.

The Executive Committee considers the business from operation perspective. Operationally, management considers the performance of the media business for lifestyle magazines in Hong Kong and Taiwan, automobile/watch magazines and others in Hong Kong and Taiwan and the Mainland China operation.

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

The Group mainly operates its business for the lifestyle magazines in Hong Kong and Taiwan, automobile/watch magazines and others in Hong Kong and Taiwan and the Mainland China operation. The breakdown of total revenue from external customers from these areas and the Group's turnover and results provided to the Executive Committee for the reporting segments for the year ended 31st March 2017 are as follows:

| | Media Business | | | | |
|---|---|---|---|---|---|
| | Hong Kong and Taiwan | | | | |
| | Lifestyle magazines | Automobile/ watch magazines and others | Sub total | Mainland China | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | **78,124** | **16,386** | **94,510** | **9,584** | **104,094** |
| Segment loss before income tax | **(48,420)** | **(4,387)** | **(52,807)** | **(2,032)** | **(54,839)** |
| Unallocated expenses | | | | | **(8,986)** |
| Operating loss | | | | | **(63,825)** |
| Share of results of joint ventures and associates | | | | | **3,372** |
| Loss before income tax | | | | | **(60,453)** |
| Income tax expenses | | | | | **(1,566)** |
| Loss for the year | | | | | **(62,019)** |
| Other information: | | | | | |
| Interest income | **129** | **–** | **129** | **107** | **236** |
| Provision for impairment on trademarks | **38,420** | **–** | **38,420** | **–** | **38,420** |
| Depreciation of property, plant and equipment | **1,155** | **153** | **1,308** | **165** | **1,473** |
| Amortisation of intangible assets | **2,675** | **31** | **2,706** | **–** | **2,706** |

The Group's turnover and results provided to the Executive Committee for the reporting segments for the year ended 31st March 2016 are as follows:

| | Media Business | | | | |
|---|---|---|---|---|---|
| | Lifestyle magazines | Hong Kong and Taiwan Automobile/ watch magazines and others | Sub total | Mainland China | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Turnover | 107,395 | 16,649 | 124,044 | 13,203 | 137,247 |
| Segment profit/(loss) before income tax | 13,602 | (4,036) | 9,566 | (7,319) | 2,247 |
| Unallocated expenses | | | | | (14,092) |
| Operating loss | | | | | (11,845) |
| Change in fair value of convertible bond | | | | | (218) |
| Share of results of joint ventures and associates | | | | | 636 |
| Loss before income tax | | | | | (11,427) |
| Income tax expenses | | | | | (4,178) |
| Loss for the year | | | | | (15,605) |
| Other information: | | | | | |
| Interest income | 616 | – | 616 | 213 | 829 |
| Depreciation of property, plant and equipment | 1,492 | 144 | 1,636 | 326 | 1,962 |
| Amortisation of intangible assets | 2,704 | 30 | 2,734 | – | 2,734 |

## 4 INTANGIBLE ASSETS

| | Computer Software *(Note (a))* *HK$'000* | Goodwill *(Note (b))* *HK$'000* | Trademarks *(Note (c))* *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| **At 1st April 2015** | | | | |
| Cost | 1,283 | 2,725 | 75,600 | 79,608 |
| Accumulated amortisation | (757) | – | (7,140) | (7,897) |
| Accumulated impairment | – | (2,725) | – | (2,725) |
| Net book amount | 526 | – | 68,460 | 68,986 |
| **Year ended 31st March 2016** | | | | |
| Opening net book amount | 526 | – | 68,460 | 68,986 |
| Additions | 16 | – | – | 16 |
| Amortisation expense *(Note 7)* | (214) | – | (2,520) | (2,734) |
| Closing net book amount | 328 | – | 65,940 | 66,268 |
| **At 31st March 2016** | | | | |
| Cost | 1,296 | 2,725 | 75,600 | 79,621 |
| Accumulated amortisation | (968) | – | (9,660) | (10,628) |
| Accumulated impairment | – | (2,725) | – | (2,725) |
| Net book amount | 328 | – | 65,940 | 66,268 |
| **Year ended 31st March 2017** | | | | |
| Opening net book amount | **328** | **–** | **65,940** | **66,268** |
| Additions | **160** | **–** | **–** | **160** |
| Amortisation expense *(Note 7)* | **(186)** | **–** | **(2,520)** | **(2,706)** |
| Provision for impairment | **–** | **–** | **(38,420)** | **(38,420)** |
| Closing net book amount | **302** | **–** | **25,000** | **25,302** |
| **At 31st March 2017** | | | | |
| Cost | **1,453** | **2,725** | **75,600** | **79,778** |
| Accumulated amortisation | **(1,151)** | **–** | **(12,180)** | **(13,331)** |
| Accumulated impairment | **–** | **(2,725)** | **(38,420)** | **(41,145)** |
| Net book amount | **302** | **–** | **25,000** | **25,302** |

(a) Costs of computer software, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over five years.

(b) The goodwill arose from the acquisition of the Group's PRC subsidiaries in 2004 and the Group's Mainland China segment is determined to be the corresponding Cash-generating-unit ("CGU"). During the year ended 31st March 2015, management has assessed that the recoverable amount of this CGU was less than the carrying amount of the CGU, and accordingly the Group recognised a full impairment loss of HK$2,725,000 for the goodwill.

(c) The trademarks arose from the acquisition of Ming Pao Finance Limited, which did not have any business activity except for holding the publishing titles of Ming Pao Weekly ("MP Weekly"). The management determined the publishing of MP Weekly to be the corresponding CGU.

Trademarks are stated at cost less any accumulated amortisation and impairment provision and are amortised using the straight-line basis over thirty years.

The Group performed an impairment assessment on the trademarks when an impairment indicator existed as evidenced by the loss-marking situation noted in the CGU for the publishing of MP Weekly for the year ended 31st March 2017.

The recoverable amount of the CGU was determined based on the higher of value-in-use ("VIU") and fair value less cost of disposal ("FVLCD") calculations. These calculations were made with the use of the discounted cash flow ("DCF") projections covering a five-year period. Cash flows beyond the five-year period are extrapolated with a growth rate of 2.0%. The DCF was prepared with reference to past performance, budget and market research on annual growth of media industry.

Key assumptions used for the DCF projections:

| | **2017** |
|---|---|
| Printed advertising revenue growth (CAGR) | **2.7%** |
| Digital advertising revenue growth (CAGR) | **80.2%** |
| Circulation revenue growth (CAGR) | **2.1%** |
| Discount rate | **19.6%** |

The recoverable amount of the CGU determined based on the VIU calculation was higher than that of the FVLCD and was approximately HK$25,000,000, which was lower than the carrying amount of the CGU by approximately HK$38,420,000. Hence, as at 31st March 2017, a provision of HK$38,420,000 for the trademarks was recognised in the consolidated income statement during the year ended 31st March 2017.

(d) Amortisation expense of approximately HK$1,373,000 (2016: HK$1,476,000), HK$1,040,000 (2016: HK$875,000) and HK$293,000 (2016: HK$383,000) is included in cost of goods sold, selling and distribution, and administrative expenses, respectively.

## 5 TRADE AND OTHER RECEIVABLES AND AMOUNTS DUE FROM FELLOW SUBSIDIARIES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **22,676** | 33,902 |
| Less: allowance for impairment of trade receivables | **(633)** | (938) |
| Trade receivables — net | **22,043** | 32,964 |
| Other receivables and deposits | **1,417** | 2,792 |
| Barter receivables | **383** | 952 |
| Prepayments and advances | **1,478** | 1,037 |
| Amounts due from fellow subsidiaries | **29** | 39 |
| | **25,350** | 37,784 |

At 31st March 2017 and 2016, the fair values of trade and other receivables approximated their carrying amounts.

The Group allows in general a credit period ranging from 30 days to 120 days to its trade customers. At 31st March 2017 and 2016, the ageing analysis of the Group's trade receivables by invoice date, net of allowance for impairment, is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 60 days | **10,271** | 16,722 |
| 61 to 120 days | **7,591** | 8,439 |
| 121 to 180 days | **693** | 5,534 |
| Over 180 days | **3,488** | 2,269 |
| | **22,043** | 32,964 |

Other receivables, deposits, prepayments and advances comprised the following:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Amounts due from third parties | **3,278** | 4,491 |
| Amount due from an associate | **–** | 50 |
| Amount due from a joint venture | **–** | 240 |
| | **3,278** | 4,781 |

## 6 TRADE AND OTHER PAYABLES AND AMOUNTS DUE TO FELLOW SUBSIDIARIES

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **2,157** | 2,628 |
| Other payables | **15,416** | 17,999 |
| Receipt in advance | **1,679** | 1,167 |
| Deferred income | **523** | 669 |
| | **19,775** | 22,463 |
| Amounts due to fellow subsidiaries | **895** | 1,099 |
| | **20,670** | 23,562 |

The ageing of the amounts due to fellow subsidiaries arising from related-party transactions, by invoice date, is within 180 days. They are unsecured, non-interest bearing and with normal credit terms from 30 days to 180 days.

At 31st March 2017 and 2016, the ageing analysis of the trade payables by invoice date is as follows:

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 60 days | **1,972** | 2,333 |
| 61 to 120 days | **150** | 246 |
| 121 to 180 days | **35** | 27 |
| Over 180 days | **–** | 22 |
| | **2,157** | 2,628 |

## 7 EXPENSES BY NATURE

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

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Paper consumed | **10,330** | 12,131 |
| Printing costs | **12,835** | 14,658 |
| Depreciation of property, plant and equipment | **1,473** | 1,962 |
| Amortisation of intangible assets *(Note 4)* | **2,706** | 2,734 |
| Employee benefit expense (including directors' emoluments) | **61,809** | 63,086 |
| Occupancy costs | **4,424** | 5,190 |
| Loss on disposal of property, plant and equipment | **2** | 22 |
| Auditor's remuneration | **1,228** | 1,207 |
| Support service fee | **6,132** | 8,375 |
| Licence fee and royalty charges | **2,140** | 2,479 |
| Advertising and promotion expenses | **3,829** | 5,813 |
| Distribution costs | **1,407** | 1,773 |
| Sales commission | **1,728** | 2,746 |

## 8 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit during the year ended 31st March 2017.

No provision for the PRC current enterprise income tax has been made as the Group has unutilised tax losses to offset the assessable profits generated in the PRC during the years ended 31st March 2017 and 2016.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| — Current income tax | **(884)** | (1,536) |
| — (Under)/over provision in prior year | **(652)** | 110 |
| Deferred income tax | | |
| — Deferred income tax charge | **(30)** | (2,752) |
| | **(1,566)** | (4,178) |

## 9 LOSS PER SHARE

Basic loss per share is calculated by dividing the Group's loss attributable to owners of the Company by the number of ordinary shares in issue during the year.

| | **2017** | 2016 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss attributable to owners of the Company | **62,019** | 15,605 |
| Number of ordinary shares in issue *(in thousands)* | **400,900** | 400,685 |
| Basic and diluted loss per share *(HK cents per share)* | **15.5** | 3.9 |

There is no dilutive effect arising from the assumed conversion of the convertible bond and share options granted by the Company.

## 10 DIVIDENDS

The Board of Directors did not recommend the payment of final dividend for the year ended 31st March 2017 (2016: Nil).

## 11 POSSIBLE DISPOSAL

Reference is made to the joint announcement dated 1st August 2016 (the "First Joint Announcement") and the joint announcement dated 1st March 2017 (the "Subsequent Joint Announcement") jointly issued by Qingdao West Coast Holdings (Internation) Limited ("Qingdao West Coast") and the Company. As stated in the First Joint Announcement, the Directors were informed by the Company's controlling shareholder, Comwell Investment Limited ("Comwell"), that on 22nd July 2016, Comwell (as vendor) and Qingdao West Coast (as purchaser) entered into a share transfer agreement (the "Share Transfer Agreement"), pursuant to which Comwell conditionally agreed to sell and Qingdao West Coast conditionally agreed to purchase 292,700,000 shares in the Company (the "Possible Disposal"), representing approximately 73.01% of the entire issued share capital of the Company. Qingdao West Coast is a company incorporated in the British Virgin Islands, whose ultimate controlling shareholder is Qingdao West Coast Development (Group) Limited, a PRC State-owned Enterprise wholly owned by the State-owned Asset Supervision and Administration Commission of Qingdao. Completion of the Possible Disposal is conditional upon the fulfilment (or, as appropriate, waiver by the Qingdao West Coast) of the conditions precedent stipulated in the Share Transfer Agreement, which amongst others, include certain agreements ("CP Agreements") becoming executed and unconditional. As stated in the Subsequent Joint Announcement, the Company announced that on 28th February 2017, all the terms of the CP Agreements have been finalised.

Reference is also made to the joint announcement dated 28th March 2017 (the "Further Extension Joint Announcement") jointly issued by Qingdao West Coast and the Company, Comwell informed the Directors that on 28th March 2017, Comwell and Qingdao West Coast entered into a supplemental agreement which further extended the long stop date of the Share Transfer Agreement to 30th June 2017.

For details, please refer to the First Joint Announcement, the Subsequent Joint Announcement and the Further Extension Joint Announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results Summary

Hong Kong retail market continued to decline in the past several years. According to the Hong Kong Census and Statistics Department's monthly retail sales report, total retail sales in 2016 were valued at HK$436.6 billion, down 8.1% in value and 7.1% in volume compared with 2015. Sales of jewellery, watches and clocks, and valuable gifts decreased by 17.2% in value and 17.3% in volume in 2016 compared with 2015.

The Group's financial performance for the year ended 31st March 2017 was hit by another year's drop of advertising spending. The Group's turnover for the year fell by 24% from HK$137,247,000 to HK$104,094,000. The Group has made a provision for impairment on trademarks of HK$38,420,000. As a result, the Group recorded a loss attributable to owners of the Company of HK$62,019,000 as compared to the loss of HK$15,605,000 reported in the previous year.

### Review of Operations

*Hong Kong and Taiwan*

Turnover for the Hong Kong operation, which accounted for 91% of the Group's turnover for the year, reported a decline of 25% from HK$124,044,000 to HK$94,510,000. The segment recorded a loss of HK$52,807,000 compared with a segment profit of HK$9,566,000 in the previous fiscal year. The significant loss was recorded due to provision for impairment on trademarks of HK$38,420,000. The segment loss before this impairment provision was HK$14,387,000.

Advertising spending in Hong Kong continues to decline. In 2016, overall advertising expenditure dropped by 9.1% to HK$41.6 billion according to admanGo research. "*Ming Pao Weekly*" ("MP Weekly"), the Group's main turnover contributing business for its Hong Kong segment, was affected by the weak advertising environment and experienced the most difficult year in its history. This also negatively affected "*Ming's*" ("Ming's"), the complimentary monthly title published with MP Weekly that covers the latest trends in fashion, beauty, luxury goods, the arts, and sports. MP Weekly has revamped its website and social media in December 2016. The Group has allocated additional resources on development its digital business in order to improve its performance on digital business.

As the media landscape continues to move towards digital media, the Group is reallocating resources to build capabilities on its digital media. "*TopGear 極速誌*" ("TopGear Hong Kong") is a leading automobile magazine in Hong Kong with international editorial backing. During the year under review, its Facebook page ranked one of the top among other automobile online media in terms of the numbers of fans that created a positive impact on its digital performance. "*TopGear Taiwan 極速誌*" ("TopGear Taiwan"), a monthly automobile magazine launched in November 2015 in Taiwan, has been well accepted by local readers during the year under review.

"*MING Watch 明錶*" ("Ming Watch Hong Kong") is a professional high-end watch title offering feature stories while covering the latest industry trends. It delivers high quality content through its printed and digital platforms. During the year, it reported declines in performance due to the market's weak demand in the sector.

ST Productions Limited, where the Group holds 70% equity interest, was set up for the businesses of artiste management, events management, music production and distribution, and movie production as a new revenue stream for the Group.

*Mainland China*

During the current financial year, turnover of the Group's Mainland China operation amounted to HK$9,584,000, a decrease of 27% from HK$13,203,000 reported in last year. The drop was mainly due to the stagnant retail market, especially in automobile sector. The segment loss, however, significantly narrowed from last year's HK$7,319,000 to HK$2,032,000, it is mainly the result of the Group's rigid cost containment strategies adopted and savings in operating expenses during the year.

"*TopGear 汽車測試報告*" ("TopGear China") continues to attract Mainland Chinese readers with the latest infotainment and automobile news and trends. "*MING Watch 明表*" ("Ming Watch China"), a quarterly magazine, introduces the latest high-end watch market trends and delivers quality feature stories to Mainland Chinese readers. Slowing in the Chinese retail market affected the performances of both publications during the period.

**Digital Media**

During the past financial year, the Group focused on digital media development in order to deal with changes in the media environment and readers' habits. The Group has maintained its traditional media business while increasing its investment in digital media by shifting the manpower to digital media from traditional media. Increased digital advertising revenue from new clients shows the resource reallocation is taking effect.

**Other Media Investments**

Connect Media Company Limited, the Group's joint venture, continued to focus on multimedia channel advertising in passenger transportation in the Pearl River Delta region.

Blackpaper Limited is principally engaged in the publication of "*100 Most*". It also publishes books and provides creative multimedia services mainly through one of its digital products, "TV Most". It recorded satisfactory performance during the year.

**Possible Disposal**

Reference is made to the joint announcement dated 1st August 2016 (the "First Joint Announcement") and the joint announcement dated 1st March 2017 (the "Subsequent Joint Announcement") jointly issued by Qingdao West Coast Holdings (Internation) Limited ("Qingdao West Coast") and the Company. As stated in the First Joint Announcement, the Directors were informed by the Company's controlling shareholder, Comwell Investment Limited ("Comwell"), that on 22nd July 2016, Comwell (as vendor) and Qingdao West Coast (as purchaser) entered into a share transfer agreement (the "Share Transfer Agreement"), pursuant to which Comwell conditionally agreed to sell and Qingdao West Coast conditionally agreed to purchase 292,700,000 shares in the Company (the "Possible Disposal"), representing approximately 73.01% of the entire issued share capital of the Company. Qingdao West Coast is a company incorporated in the British Virgin Islands, whose ultimate controlling shareholder is Qingdao West Coast Development (Group) Limited, a PRC State-owned Enterprise wholly owned by the State-owned Asset Supervision and Administration Commission of Qingdao. Completion of the Possible Disposal is conditional upon the fulfilment (or, as appropriate, waiver by the Qingdao West Coast) of the conditions precedent stipulated in the Share Transfer Agreement, which amongst others, include certain agreements ("CP Agreements") becoming executed and unconditional. As stated in the Subsequent Joint Announcement, the Company announced that on 28th February 2017, all the terms of the CP Agreements have been finalised.

Reference is also made to the joint announcement dated 28th March 2017 (the "Further Extension Joint Announcement") jointly issued by Qingdao West Coast and the Company, Comwell informed the Directors that on 28th March 2017, Comwell and Qingdao West Coast entered into a supplemental agreement which further extended the long stop date of the Share Transfer Agreement to 30th June 2017.

For details, please refer to the First Joint Announcement, the Subsequent Joint Announcement and the Further Extension Joint Announcement.

**Sustainability**

The Group believes in and understands the importance of embedding sustainability practices in its operations to ensure the sustainability and viability of its business. This year the Group launches its sustainability vision and policy which focuses on areas such as environmental, social and governance. The Group has identified its material sustainability items, monitor and manage them. In addition, the Group will continue to engage both internal and external stakeholders to understand the sustainability issues which are of concern to these stakeholders.

In the area of environmental, the Group will monitor the usage of resources such as water and electricity by the Group. For social, the Group will focus on training and development, diversity and health and safety measures. It will also look into sound procurement practices and measures to ensure product reliability. Last but not least, the Group will continue to contribute to the community it operates in and enhances its reach out to its customers and investors.

**Outlook**

The coming year is expected to be critical for the Group. According to figures from the latest AdSpend Projection survey conducted by Nielsen in partnership with the Hong Kong Advertisers Association, almost half of the advertisers in Hong Kong (48%) believe the economy has stabilised and will remain the same as the previous year, while 6% of advertisers expect economic conditions to improve. The survey also shows 26% of advertisers are looking to increase their advertising spending in 2017. Based on these statistics, the Group expects the advertising situation to improve in the coming year. However, the Group believes that the growth of digital advertising shall be more significant compared to other forms of advertising. In view of this, the Group will continue to reallocate resources to further develop its digital media business.

The Group also expands its business in Taiwan by launching a quarterly magazine, "*Ming Watch+*"("Ming Watch Taiwan"), in May 2017. Ming Watch Taiwan is curated for men's watch lovers with culture lifestyle.

The Group will stay cautious and maintain tight cost controls to enhance productivity and profitability. It will continue to develop its existing businesses and while to explore new business opportunities to diversify its revenue stream.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31st March 2017, the Group's net current assets amounted to HK$52,136,000 (2016: HK$73,183,000) and the total equity attributable to the equity holders of the Company was HK$85,052,000 (2016: HK$147,773,000). The Group had no bank borrowings (2016: HK$936,000) and the gearing ratios, which is defined as the ratio of net debt, calculated as total borrowings (including the liability component of convertible bond) less cash and cash equivalents, to total capital, calculated as total equity attributable to the Company's equity holders plus net debt, was zero at 31st March 2017 and 2016.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

## CONTINGENT LIABILITIES

As at 31st March 2017, the Group did not have any material contingent liabilities or guarantees (2016: Nil).

## CLOSURE OF THE REGISTER OF THE MEMBERS FOR ANNUAL GENERAL MEETING

The registers of the Company will be closed from Monday, 7th August 2017 to Thursday, 10th August 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 4th August 2017.

## EMPLOYEES

As at 31st March 2017, the Group has approximately 202 employees (2016: 203 employees), of which 170 was stationed in Hong Kong and Taiwan, and 32 was stationed in the Mainland China, respectively. The Group remunerates its employees based on the operating results, individual performance and comparable market statistics. The emoluments of the Directors and senior management are reviewed by the Remuneration Committee regularly.

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

## CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the CG Code throughout the year, except for the deviation from code provision E.1.2 of the CG Code.

Code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Due to other commitment, Tan Sri Datuk Sir TIONG Hiew King, the Chairman of the Board of Directors, was unable to attend the annual general meeting of the Company held on 11th August 2016. In his absence, Mr. TIONG Kiew Chiong, the executive Director and Deputy Chairman of the Company attended and took the chair of the said annual general meeting and ensured that proceedings of the meeting were conducted in order. The Company considers that sufficient measures have been taken to ensure that Company's corporate governance practices are no less exacting than those in the CG Code.

A detailed Corporate Governance Report setting out the Group's framework and explanations about how the provisions of the CG Code have been applied will be included in the Company's Annual Report 2016/17.

## COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code for securities transactions by the Directors. The Directors have confirmed, following specific enquiries by the Company, their compliance with the required standard set out in the Model Code throughout the year.

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 inside information in relation to the securities of the Company.

## AUDIT COMMITTEE

The Company established an Audit Committee on 26th September 2005 with written terms of reference. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. YU Hon To, David, Mr. Victor YANG and Mr. LAU Chi Wah, Alex. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31st March 2017 and discussed matters relating to auditing, internal controls and financial reporting.

## REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 26th September 2005 with written terms of reference. The Remuneration Committee currently comprises three independent non-executive Directors, namely, Mr. YU Hon To, David, Mr. Victor YANG, Mr. LAU Chi Wah, Alex and one executive Director, Mr. TIONG Kiew Chiong.

## NOMINATION COMMITTEE

The Company established a Nomination Committee on 26th September 2005 with written terms of reference. The Nomination Committee currently comprises three independent non-executive Directors, namely, Mr. YU Hon To, David, Mr. Victor YANG, Mr. LAU Chi Wah, Alex and one executive Director, Mr. TIONG Kiew Chiong.

By Order of the Board
**One Media Group Limited**
**TIONG Kiew Chiong**
*Director*

Hong Kong, 29th May 2017

*As at the date of this announcement, the board of the Company comprises Tan Sri Datuk Sir TIONG Hiew King, being non-executive director; Mr. TIONG Kiew Chiong and Mr. LAM Pak Cheong, being executive directors; and Mr. YU Hon To, David, Mr. Victor YANG and Mr. LAU Chi Wah, Alex, being independent non-executive directors.*

*The Company's Annual Report 2016/17 containing all the information required by the Listing Rules will be published on The Stock Exchange of Hong Kong Limited's website in due course and will be dispatched to shareholders before end of July 2017.*