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# 万 华 媒 体 ONEMEDIAGROUP

## ONE MEDIA GROUP LIMITED

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

**(Stock Code: 426)**

### ANNOUNCEMENT CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Service Agreements disclosed in MPE's announcement and OMG's IPO Prospectus respectively dated 6 April 2004 and 30 September 2005 in respect of the continuing connected transactions entered into between members of MPE Group and OMG Group relating to the sharing of services by MPE Group to OMG Group for the operations of the HK Magazines, based on normal commercial terms.

#### **Continuing Connected Transactions**

On 1 April 2007, members of MPE Group and OMG Group entered into two respective confirmation letters to confirm the renewal of the terms of the continuing connected transactions under the Service Agreements for the period of three years from 1 April 2007 to 31 March 2010.

On the same date, Kin Ming and OMH entered into a Pre-press Agreement to renew the terms of the provision of colour separation, film-making and typesetting services for the period of three years from 1 April 2007 and ending on 31 March 2010 and MPE and OMG entered into an Advertising Space and Service Barter Agreement to renew the terms of the barter of advertising space and service for the period of three years from 1 April 2007 to 31 March 2010.

OMG is controlled by Winmax Resources Limited, which owns 73.9% of OMG's shares. The remaining 26.1% of the OMG's shares are publicly held. Winmax Resources Limited is beneficially owned as to 85.027% by Starsome Limited (an indirect wholly-owned subsidiary of MPE) and 14.973% by RGM Ventures Limited. Accordingly, MPE is a substantial shareholder holding 62.83% indirect interests in OMG and therefore MPE is a connected person of OMG. The Continuing Connected Transactions constitute continuing connected transactions for OMG under Rule 14A.14 of the Listing Rules.

Given that each of the Annual Caps for item (a) of the Magazine Service Agreement, the aggregate Annual Caps for items (d) and (e) of the Administrative Service Agreement, the Annual Cap for item (a) of the Pre-press Service Agreement, and the Annual Cap for the Advertising Space and Service Barter Agreement for OMG is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, all of the Continuing Connected Transactions are exempted from OMG's independent shareholders' approval requirements but are still subject to reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. Furthermore, the Continuing Connected Transactions are also subject to the annual review requirements set out in Rules 14A.37 and 14A.38 of the Listing Rules.

### **Background information**

As both the Administrative Service Agreement relating to the provision of administrative services by MPH to OMG Group and the Magazine Service Agreement relating to the provision of circulation support, editorial support and library services by MPN to OMG Group expired on 31 March 2007, members of MPE Group and OMG Group entered into two respective confirmation letters on 1 April 2007 to confirm the renewal of the terms of the continuing connected transactions for the period of three years from 1 April 2007 to 31 March 2010.

Prior to entering the Pre-press Service Agreement, Kin Ming has been providing Colour Separation Services, film-making services and typesetting services to OMG Group. It is anticipated that the usage of Colour Separation Services by OMG Group would increase, Kin Ming and OMH entered into the Press-press Service Agreement to renew the terms of the provision of these services for the period of three years from 1 April 2007 to 31 March 2010.

As the Barter Advertising Service Agreement relating to the barter of advertising space and service between MPE Group and OMG Group expired on 31 March 2007 and in anticipation of an increase in the usage of barter advertising services, MPE and OMG entered into the Advertising Space and Service Barter Agreement on 1 April 2007 to renew the terms for the period of three years from 1 April 2007 to 31 March 2010.

Given that each of the Annual Cap for item (a) relating to Circulation Support Services in the Magazine Service Agreement, the aggregate Annual Caps for items (d) and (e) relating to Leasing of Equipment and Leasing of Office in the Administrative Service Agreement, the Annual Cap for item (a) relating to Colour Separation Services in the Pre-press Service Agreement as well as the Annual Cap of the Advertising Space and Service Barter Agreement is less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules for OMG, all of the Continuing Connected Transactions are exempted from OMG's independent shareholders' approval requirements but are still subject to reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. Furthermore, the Continuing Connected Transactions are also subject to the annual review requirements set out in Rules 14A.37 and 14A.38 of the Listing Rules.

## Magazine Service Agreement

Pursuant to the Magazine Service Agreement dated 1 February 2004 entered into by MPN and OMH, MPN has agreed to provide to members of OMG Group (a) Circulation Support Services, (b) Editorial Support Services and (c) Library Services. Pursuant to the agreement, OMG Group agreed to share the monthly operating expenses of MPN's respective departments determined on a cost reimbursement basis in accordance with the proportion of actual time incurred by the staff of MPN's respective departments towards the provision of such services. As the Magazine Service Agreement expired on 31 March 2007, the parties agreed to renew the terms of the Magazine Service Agreement. Under the confirmation letter dated 1 April 2007, the Magazine Service Agreement has been renewed for three years from 1 April 2007 to 31 March 2010 and thereafter shall be automatically renewed for another three year period ending on 31 March 2013 unless either party gives notice of non-renewal to the other party at least ninety days prior to the expiry of such term. The Magazine Service Agreement may be terminated by either party prior to the expiry date upon the occurrence of certain events including the default or insolvency or the failure of either MPE or OMG to obtain or maintain the necessary shareholders' approval (if applicable) in respect of the agreement pursuant to the Listing Rules.

With respect to the transactions contemplated under items (b) and (c) of the renewed Magazine Service Agreement, they are exempted continuing connected transactions under Rule 14A.33(3)(b). For the two years ended 31 March 2005, 31 March 2006 and ten months ended 31 January 2007, the cost of the services rendered under item (a) relating to Circulation Support Services is summarized as follows:

	For the year ended		Ten months
	31 March	2006	ended
	2005	2006	31 January
Services	(audited)	(audited)	(unaudited)
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Circulation Support Services	<u>3,240</u>	<u>3,117</u>	<u>1,520</u>

## Administrative Service Agreement

Pursuant to the Administrative Service Agreement dated 1 February 2004 entered into by MPH and OMH, MPH has agreed to provide to OMG Group (a) the Information Systems Programming Support Services, (b) the Administrative Support Services, (c) Human Resources, Corporate Communications and Legal Services, (d) Leasing of Equipment and (e) Leasing of Office charged on a monthly basis.

As the Administrative Service Agreement expired on 31 March 2007, the parties agreed to renew the terms of the Administrative Service Agreement. Under the confirmation letter dated 1 April 2007, the Administrative Service Agreement has been renewed for three years from 1 April 2007 to 31 March 2010 and thereafter shall be automatically renewed for another three year period ending on 31 March 2013 unless either party gives notice of

non-renewal to the other party at least ninety days prior to the expiry of such term. The Administrative Service Agreement may be terminated by either party prior to the expiry date upon the occurrence of certain events including the default or insolvency or the failure of either MPE or OMG to obtain or maintain the necessary shareholders' approval (if applicable) in respect of the agreement pursuant to the Listing Rules. The transactions contemplated under item (a) are exempted continuing connected transactions under Rule 14A.33(3)(b). The transactions contemplated under items (b) and (c) are exempted continuing connected transactions under Rule 14A.33(2). For transactions contemplated under items (d) and (e), the charge of the Leasing of Equipment is determined by reference to the total amount of depreciation charges on MPH's equipment used by OMH's subsidiaries based on the depreciation charges of the equipment provided and that of Leasing of Office is based on the floor area occupied by OMH and the rental is charged at a pre-determined rate calculated by reference to the prevailing market rates of comparable premises. For the two years ended 31 March 2005, 31 March 2006 and ten months ended 31 January 2007, the aggregate costs of such services rendered for items (d) and (e) are summarized as follows:

	For the year ended		Ten months
	31 March 2005	2006	ended 31 January 2007
Services	(audited) (HK\$'000)	(audited) (HK\$'000)	(unaudited) (HK\$'000)
Leasing of Equipment	326	228	201
Leasing of Office	<u>1,257</u>	<u>1,510</u>	<u>1,519</u>
Total	<u>1,583</u>	<u>1,738</u>	<u>1,720</u>

### Pre-press Service Agreement

Prior to the Pre-press Service Agreement, Kin Ming, has been providing Colour Separation Services, film-making services and typesetting services to OMG Group. In the IPO Prospectus, the transactions relating to Colour Separation Services, film-making services and typesetting services have been exempted from the reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.33(3) of the Listing Rules.

Due to the anticipated increase in the usage of the Colour Separation Services by OMG Group, on 1 April 2007, Kin Ming entered into the Pre-press Service Agreement with OMH to renew the terms of the provision of (a) Colour Separation Services, (b) film-making services and (c) typesetting services to members of OMG Group. Pursuant to the Pre-press Service Agreement, OMG Group agreed to share the monthly operating expenses of Kin Ming's colour separation department at a pre-determined rate calculated on a cost reimbursement basis. With respect to the transactions contemplated under items (b) and (c) of the Pre-press Agreement, they are exempted continuing connected transactions under Rule

14A.33(3)(b). For the two years ended 31 March 2005, 31 March 2006 and ten months ended 31 January 2007, the cost of the services rendered under item (a) relating to Colour Separation Services is summarized as follows:

<b>Services</b>	<b>For the year ended</b>		<b>Ten months</b>
	<b>31 March 2005</b>	<b>2006</b>	<b>ended 31 January 2007</b>
	<b>(audited)</b>	<b>(audited)</b>	<b>(unaudited)</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Colour Separation Services	<u>519</u>	<u>891</u>	<u>934</u>

The Pre-press Service Agreement has an initial term of three years from 1 April 2007 to 31 March 2010 and thereafter shall be automatically renewed for another three year period ending on 31 March 2013 unless either party gives notice of non-renewal to the other party at least ninety days prior to the expiry of such initial term. The Pre-press Service Agreement may be terminated by either party prior to the expiry date upon the occurrence of certain events including the default or insolvency or the failure of either MPE or OMG to obtain or maintain the necessary shareholders' approval (if applicable) in respect of the agreement pursuant to the Listing Rules.

#### **Advertising Space and Service Barter Agreement**

Pursuant to the Barter Advertising Service Agreement dated 1 April 2006 made between MPN, Mingpao.com Limited, Ming Pao Publications Limited, Charming Holidays Limited and MPM, barter advertising services have been arranged between respective members of MPE Group and OMG Group. Each party had been advertising, and under the agreement, will continue to advertise in the publications of the other. This service is provided on normal commercial terms and is provided in the ordinary and usual course of business. The agreement expired on 31 March 2007.

Owing to the expected increase in the usage of the barter advertising services, MPE, the holding company of MPN, Mingpao.com Limited, Ming Pao Publications Limited and Charming Holidays Limited, has agreed with OMG (the holding company of MPM) to renew the terms of the agreement. On 1 April 2007, a new Advertising Space and Service Barter Agreement has been entered into between MPE and OMG for three years from 1 April 2007 to 31 March 2010 and thereafter shall be automatically renewed for another three year period ending on 31 March 2013 unless either party gives notice of non-renewal to the other party at least ninety days prior to the expiry of such initial term. This new agreement may be terminated by either party prior to the expiry date upon the occurrence of certain events including the default or insolvency or the failure of either MPE or OMG to obtain or maintain the necessary shareholders' approval (if applicable) in respect of the agreement pursuant to the Listing Rules.

For the two years ended 31 March 2005, 31 March 2006 and ten months ended 31 January 2007, the aggregate costs for the barter advertising transactions are summarized as follows:

	For the year ended		Ten months
	31 March 2005	2006	ended 31 January 2007
<b>Services</b>	<b>(audited)</b>	<b>(audited)</b>	<b>(unaudited)</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Barter advertising services	<u>944</u>	<u>1,000</u>	<u>754</u>

## REASON FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Continuing Connected Transactions will continue to be conducted in the ordinary and usual course of business of OMG Group, and on normal commercial terms determined on an arm's length basis. In view of the past operational convenience and benefits brought to OMG Group, the Board considers the Continuing Connected Transactions to be in the interests of OMG Group.

## ANNUAL CAPS AND LISTING RULES IMPLICATIONS

### Annual Caps

The aggregate amount of the transactions contemplated under the Agreements in each of the three financial years ending 31 March 2008, 31 March 2009 and 31 March 2010 shall not exceed the Annual Caps as follows:

Type of Continuing Connected Transactions	Annual Caps <i>HK\$'000</i>	As a % of OMG's market capitalization <i>(note 1)</i>
(i) Magazine Service Agreement		
Item (a) - Circulation Support Services	3,500	1.7%
(ii) Administrative Service Agreement		
Items (d) and (e) - Leasing of Equipment and Leasing of Office	2,800	1.4%
(iii) Pre-press Service Agreement		
Item (a) - Colour Separation Services	2,000	1.0%
(iv) Advertising Space and Service Barter Agreement		
Barter advertising services	2,000	1.0%

*Note:*

- The market capitalization of OMG is calculated based on the five-day average of the closing price of OMG's shares immediately preceding the date of the Agreements.

The Directors have, based on their experience and expertise gained in the magazine publication and related businesses, taken into account the following principal factors and assumptions in determining the Annual Caps for the Continuing Connected Transactions:

- historical net revenues of the HK Magazines;
- historical amounts of the service charges;
- expected circulation of the HK Magazines;
- expected rate of growth in advertising sales;
- expected increase in advertising fees to be charged by the HK Magazines;
- estimated work force and premises required to operate the HK Magazines; and
- there will be a stable market environment and economic conditions.

The Directors consider that the Annual Caps as set out above are fair and reasonable so far as OMG and its shareholders are concerned.

#### **Listing Rules implications**

OMG is controlled by Winmax Resources Limited, which owns 73.9% of OMG's shares. The remaining 26.1% of the OMG's shares are publicly held. Winmax Resources Limited is beneficially owned as to 85.027% by Starsome Limited (an indirect wholly-owned subsidiary of MPE) and 14.973% by RGM Ventures Limited. Accordingly, MPE which holds 62.83% indirect interest in OMG, is the connected person of OMG. Kin Ming and OMG which are connected parties by virtue of the fact that both are indirect subsidiaries of MPE, are held as to 100% and 62.83% by MPE respectively. The Continuing Connected Transactions constitute continuing connected transactions for OMG.

The transactions contemplated under items (b) and (c) of the Magazine Service Agreement as stated above are exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3)(b) of the Listing Rules as their respective proposed Annual Cap is below HK\$1 million and less than 2.5% of each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules.

The transactions contemplated under items (b) and (c) of the Pre-press Service Agreement as stated above are exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3)(b) of the Listing Rules as their respective proposed Annual Cap is below HK\$1 million and less than 2.5% of each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules.

The transactions contemplated under item (a) of the Administrative Service Agreement as stated above are exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3)(b) of the Listing Rules as the proposed Annual Cap is below HK\$1 million and less than 2.5% of each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules. Those transactions contemplated under items (b)

and (c) of the Administrative Service Agreement are also exempted continuing connected transactions pursuant to Rule 14A.33(2) of the Listing Rules, as they involve sharing of general administrative services on cost basis, and which are identifiable and allocated to the parties involved on a fair and equitable basis.

Given that each of the Annual Cap for item (a) of the Magazine Service Agreement, the aggregate Annual Caps for items (d) and (e) of the Administrative Service Agreement, the Annual Cap for item (a) of the Pre-press Service Agreement, and the Annual Cap for the Advertising Space and Service Barter Agreement are less than 2.5% for each of the percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules, pursuant to Rule 14A.34(1) of the Listing Rules, all of them are exempted from independent shareholders' approval requirement but are still subject to the reporting and announcement requirements as described in Rules 14A.45 to 14A.47 of the Listing Rules. Furthermore, the Continuing Connected Transactions are also subject to the annual review requirements set out in Rules 14A.37 and 14A.38 of the Listing Rules.

Upon expiry of the three-year period, or if any of the above Annual Caps is exceeded or when the Agreements are being renewed or there is any material change to the terms of the Agreements, OMG shall fully re-comply with the requirements of the Listing Rules (including but not limited to, Chapter 14A of the Listing Rules) prevailing from time to time, including but not limited to, seeking independent shareholders' approval by poll at a general meeting, if required.

## **PRINCIPAL BUSINESS ACTIVITIES OF THE PARTIES**

The principal business activities of MPE Group are the publication of Chinese newspapers, periodicals and books, and the provision of travel and travel related services.

OMG Group is principally engaged in the publication, marketing and distribution, through third party distributors, of renowned Chinese-language lifestyle magazines and the sale of the advertising space in those magazines.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Administrative Service Agreement”	the agreement entered into between MPH and OMH dated 1 February 2004 relating to the provision of administrative services by MPH to OMG Group
“Administrative Support Services”	the administrative support services relating to the security services, cleaning services, mailing processing and messenger services, ordering and distribution of office supplies services, receptionist and general clerical services

“Advertising Space and Service Barter Agreement”	the agreement entered into between MPE and OMG dated 1 April 2007 relating to the barter advertising transactions between MPE Group and OMG Group for a term of three years commencing from 1 April 2007 and ending on 31 March 2010
“Agreements”	the Service Agreements and their respective confirmation letters both dated 1 April 2007, the Pre-press Service Agreement and the Advertising Space and Service Barter Agreement
“Annual Cap(s)”	the maximum annual amount of each type of the Continuing Connected Transactions to be transacted for the three financial years of OMG ending 31 March 2010
“Barter Advertising Service Agreement”	the agreement entered into between MPN, Mingpao.com Limited, Ming Pao Publications Limited, Charming Holidays Limited and MPM dated 1 April 2006 relating to the barter advertising transactions between MPE Group and OMG Group
“Board”	the board of Directors
“Charming Holidays Limited”	a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of MPE
“Circulation Support Services”	the circulation support services relating to the distribution, sale and promotion of the publications of OMG Group
“Colour Separation Services”	the services provided by Kin Ming relating to the conversion of photographs or drawings into its component spectral colours ready for four-colour process printing
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Service Agreements and their respective confirmation letters both dated 1 April 2007, the Pre-press Service Agreement and the Advertising Space and Service Barter Agreement between members of MPE Group and OMG Group relating to the operations of the HK Magazines
“Directors”	Directors (including independent non-executive directors) of OMG
“Editorial Support Services”	the editorial support services relating to specific contents for those special advertisements solely placed in the magazines operated by OMG Group
“HK Magazines”	City Children’s Weekly, Hi-TECH Weekly and Ming Pao Weekly published by MPM

“Human Resources Corporate Communications and Legal Services”	the human resources, corporate communications and legal services relating to human resources administrative service, corporate communications service and legal service
“Information Systems Programming Support Services”	the information systems programming support services relating to internet-related services such as email services and virus protection, computer networking services, data management services, general computing and programming support services and system analysis
“IPO Prospectus”	the public offering and placing of 100,000,000 shares as set out in the prospectus dated 30 September 2005 issued by OMG
“Kin Ming”	Kin Ming Printing Company Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of MPE
“Leasing of Equipment”	leasing of computer and other office equipment to OMG Group
“Leasing of Office”	leasing of office space, storage space and parking spaces, all within Ming Pao Industrial Centre to OMG Group
“Library Services”	the library services including data classification, data indexing and filing, data storage management and retrieval, data provision and newspaper clipping
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Magazine Service Agreement”	the agreement entered into between MPN and OMH dated 1 February 2004 relating to the provision of circulation support, editorial support and library services by MPN to OMG Group
“Mingpao.com Limited”	a company incorporated in Hong Kong and is 97.78% indirect non-wholly owned subsidiary of MPE
“Ming Pao Publications Limited”	a company incorporated in Hong Kong and is an indirect wholly-owned subsidiary of MPE
“MPE”	Ming Pao Enterprise Corporation Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“MPE Group”	MPE and its subsidiaries

“MPH”	Ming Pao Holdings Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of MPE
“MPM”	Ming Pao Magazines Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of OMG
“MPN”	Ming Pao Newspapers Limited, a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of MPE
“OMG”	One Media Group Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange, and a 62.83% indirect non-wholly owned subsidiary of MPE
“OMG Group”	OMG and its subsidiaries
“OMH”	One Media Holdings Limited, a company incorporated in the British Virgin Islands and a direct wholly-owned subsidiary of OMG
“Pre-press Service Agreement”	the agreement entered into between Kin Ming and OMH dated 1 April 2007 relating to the provision of Colour Separation Services, film-making services and typesetting services by Kin Ming to OMG Group
“Service Agreements”	the Magazine Service Agreement and the Administrative Service Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board  
**One Media Group Limited**  
**TIONG Kiu King**  
*Chairman*

Hong Kong, 20 April 2007

*As at the date of this announcement, the directors of OMG are as follows:*

*Mr. TIONG Kiu King, Mr. TIONG Kiew Chiong, Mr. Peter Bush BRACK, Mr. Terence TUNG Siu Ho and Mr. Robert William Hong-San YUNG, being executive directors; and Mr. David YU Hon To, Mr. Peter SIT Kien Ping and Mr. Peter TAN Hock Seng, being independent non-executive directors.*

“Please also refer to the published version of this announcement in The Standard”