

万 华 媒 体 ONEMEDIAGROUP

ONE MEDIA GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 426)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

The directors (the “Directors”) of One Media Group Limited (the “Company”) announce that the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2006 are as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September 2006

		(Unaudited)	
		Six months ended	
		30th September	
		2006	2005
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	103,281	85,774
Cost of goods sold		(63,009)	(47,117)
Gross profit		40,272	38,657
Interest income		1,735	10
Selling and distribution costs		(27,129)	(22,547)
Administrative expenses		(18,071)	(12,551)
Operating (loss)/profit	4	(3,193)	3,569
Finance costs	5	—	(63)
(Loss)/profit before income tax		(3,193)	3,506
Income tax expense	6	(208)	(1,014)
(Loss)/profit for the half-year		(3,401)	2,492
Attributable to:			
Equity holders of the Company		(3,401)	2,492
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the Company, expressed in HK cents per share	7		
- Basic		(0.85 cent)	0.84 cent
- Diluted		N/A	N/A
Dividends	8	—	—

CONSOLIDATED BALANCE SHEET

As at 30th September 2006

		(Unaudited) 30th September 2006	(Audited) 31st March 2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Goodwill		2,028	2,028
Property, plant and equipment		9,564	4,461
Defined benefit plan's assets		919	919
Long service payment assets		13	13
Deferred income tax assets		—	304
		<u>12,524</u>	<u>7,725</u>
Current assets			
Inventories		14,994	11,077
Trade and other receivables	9	60,742	52,015
Deferred income tax assets		3,531	3,435
Income tax recoverable		3,448	2,006
Cash and cash equivalents		73,305	94,120
		<u>156,020</u>	<u>162,653</u>
Current liabilities			
Trade and other payables	10	27,305	25,123
Amounts due to fellow subsidiaries		2,550	2,402
Income tax liabilities		83	83
Trust receipt loans, unsecured		—	338
Bank overdrafts		—	30
		<u>29,938</u>	<u>27,976</u>
Net current assets		<u>126,082</u>	<u>134,677</u>
Total assets less current liabilities		<u>138,606</u>	<u>142,402</u>
Equity			
Capital and reserves attributable to the equity holders of the Company			
Share capital	11	400	400
Other reserves		124,584	123,479
Retained earnings		13,622	17,023
Proposed final dividend		—	1,500
		<u>138,606</u>	<u>142,402</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

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.

Pursuant to a group reorganisation (the “Reorganisation”) to rationalise the structure of 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 Group resulting from the Reorganisation is regarded as a continuing entity and merger accounting has been adopted. Accordingly, the condensed consolidated income statement and consolidated cash flow statement for the six months ended 30th September 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 Company is an investment holding company. The principal activities of the Group are publication, marketing and distribution of Chinese language lifestyle magazines.

The unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) were prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

These Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 31st March 2006.

2 Accounting policies

The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 31st March 2006.

HKICPA has issued a number of new standards, amendments to standards and interpretations that are effective for accounting periods beginning on or after 1st January 2006. The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these Interim Financial Statements.

3 Segment information

Primary reporting format - geographical segments

The Group operates mainly in two geographical areas, Hong Kong and Mainland China. The segment information is as follows:

	(Unaudited)					
	Six months ended 30th September					
	Hong Kong		Mainland China		Group	
	2006	2005	2006	2005	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>82,369</u>	<u>78,280</u>	<u>20,912</u>	<u>7,494</u>	<u>103,281</u>	<u>85,774</u>
Segment results	<u>9,130</u>	<u>12,500</u>	<u>(7,517)</u>	<u>(4,565)</u>	1,613	7,935
Interest income					1,735	10
Unallocated expenses (<i>Note</i>)					<u>(6,541)</u>	<u>(4,376)</u>
Operating (loss)/profit					<u>(3,193)</u>	<u>3,569</u>

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

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 and distribution of Chinese language lifestyle magazines, throughout the six months ended 30th September 2006 and 2005.

4 Operating (loss)/profit

The following items have been charged to the operating (loss)/profit during the interim period.

	(Unaudited)	
	Six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	22,049	15,595
Depreciation	1,062	613
Employee benefit expenses (including directors' emoluments)	31,650	25,486
Loss on disposal of property, plant and equipment	<u>31</u>	<u>—</u>

5 Finance costs

	(Unaudited)	
	Six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses on bank loans	—	63
	<u> </u>	<u> </u>

6 Income tax expense

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

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 the People's Republic of China ("PRC"), in accordance with the income tax laws of PRC for foreign-invested enterprises and domestic companies.

	(Unaudited)	
	Six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
- Hong Kong profits tax	—	1,425
- Over provision of PRC enterprise income tax in prior year	—	(372)
Deferred income tax expense/(credit)	208	(39)
	<u> </u>	<u> </u>
	208	1,014
	<u> </u>	<u> </u>

7 (Loss)/earnings per share

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

	(Unaudited)	
	Six months ended	
	30th September	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit attributable to the equity holders of the Company	(3,401)	2,492
	<u> </u>	<u> </u>
Weighted average number of ordinary shares in issue (in thousands)	400,000	295,623
	<u> </u>	<u> </u>
Basic (loss)/earnings per share (HK cent per share)	(0.85)	0.84
	<u> </u>	<u> </u>

The calculation of basic (loss)/earnings per share for the period is based on the Group's (loss)/profit attributable to the equity holders of the Company and the weighted average number of ordinary shares of 400,000,000 (2005: 295,623,000) shares.

8 Dividends

A final dividend of HK0.375 cent per share for the year ended 31st March 2006 (2005: Nil), totalling HK\$1,500,000 was paid in September 2006.

9 Trade and other receivables

Included in trade and other receivables are trade receivables and their ageing analysis is as follows:

	(Unaudited) 30th September 2006 <i>HK\$'000</i>	(Audited) 31st March 2006 <i>HK\$'000</i>
0 to 60 days	29,635	24,422
61 to 120 days	12,362	13,408
121 to 180 days	9,874	6,394
Over 180 days	1,893	984
	<u>53,764</u>	<u>45,208</u>

The Group allows in general a credit period ranging from 30 days to 90 days to its trade customers.

10 Trade and other payables

Included in trade and other payables are trade payables and their ageing analysis is as follows:

	(Unaudited) 30th September 2006 <i>HK\$'000</i>	(Audited) 31st March 2006 <i>HK\$'000</i>
0 to 60 days	9,863	8,660
61 to 120 days	2,044	2,340
121 to 180 days	894	196
Over 180 days	121	128
	<u>12,922</u>	<u>11,324</u>

11 Share capital

	(Unaudited) 30th September 2006 <i>HK\$'000</i>	(Audited) 31st March 2006 <i>HK\$'000</i>
Authorised: 4,000,000,000 shares of HK\$0.001 each	<u>4,000</u>	<u>4,000</u>
Issued and fully paid: 400,000,000 shares of HK\$0.001 each	<u>400</u>	<u>400</u>

MANAGEMENT COMMENTARY

Results Summary

For the period ended 30th September 2006, the Group reported a consolidated turnover of HK\$103,281,000 (2005: HK\$85,774,000), representing an increase of 20% compared with the corresponding period last year. The result is attributed to an increase in advertising revenue and circulation as the contributions from our new titles began to bear fruit. The benefit of new titles introduced to China is further reflected in the remarkable increase in turnover of 179% in our Mainland China business. The loss after taxation amounted to HK\$3,401,000 (2005: profit after taxation HK\$2,492,000). The change in performance from profit to loss was mainly attributed to the continued investment in human capital and infrastructure in China and to the intense competition in the technology sector.

Review of Operations

Hong Kong

Ming Pao Weekly, *Hi-Tech Weekly* and *City Children's Weekly* ("HK Magazines") are all currently published in Hong Kong. The titles contributed a combined turnover of HK\$82,369,000 (2005: HK\$78,280,000), representing an increase of 5% compared to the corresponding period last year. The increase in turnover was mainly attributable to the full-year contribution of the compact edition of the *Ming Pao Weekly* ("Compact Edition") and continuing editorial enhancements in the titles in general. However, this was offset by the increase in paper and production costs.

The Group recently re-launched the printed version of *Hi-Tech Weekly* in Hong Kong and launched a new online version, namely "eMag". In addition to the printed version, readers of *Hi-Tech Weekly* can easily access to the magazine on the internet anytime and anywhere. This format is specifically attractive to the readers and advertisers of *Hi-Tech Weekly*, as this distribution method caters primarily to the technologically savvy audience of the magazine. This innovative distribution method is representative of "always-on" world, which may help the Group to position the magazine in this competitive sector.

The tabloid-sized *Ming Pao Weekly* ("Classic Edition") and the Compact Edition have enjoyed increasing revenue. The strategic move to publish both Compact Edition and Classic Edition has proven to be a successful endeavor for the Group. Driven by the desire to offer readers a choice, this strategic positioning has also benefited advertisers with additional leverage to reach a larger readership base. The additional channel for delivering high quality content has enabled the publication to increase readership while catering to the desires of a portion of the readership segment with a different taste in format.

City Children's Weekly remains a favorite among the leading "edutainment" publications. The title serves an extensive audience of primary school students in Hong Kong with the support of educators, parents, and children alike.

The Group remains firmly committed to evolving its HK Magazines portfolio through creative initiatives like the Compact Edition of *Ming Pao Weekly* and the eMag of *Hi-Tech Weekly*. As a seasoned leader in Hong Kong lifestyle magazine publishing, the Group will capitalize on every opportunity to reaffirm its leading position through continuous improvement in its product offerings and their promotion.

Mainland China

The Group has the right to sell advertising space in and provide content to the magazines in Mainland China, including: “*Popular Science* 科技新時代” (“PS”), “*T3* 科技新時代” (“T3”), “*Top Gear* 汽車測試報告” (“TG”), “*MING* 明日風尚” (formerly known as “*MING* 青春之星”) (“MING”) and “*Rolling Stone* 音樂時空” (formerly known as “*Rolling Stone* 音像世界”) (“RS”). These titles contributed a turnover of HK\$20,912,000 (2005: HK\$7,494,000) to the Group, representing a 179% increase compared to the corresponding period last year. However, an operating loss was recorded as a result of investment in human capital, newly established infrastructure, and investment in newer titles such as MING and RS. The Group is confident that these titles will achieve considerable growth in both circulation and advertising income that will translate to healthy margins and revenue contributions in the future.

The Group’s focus on cross-selling has achieved measurable success, especially with *Ming Pao Weekly* and MING. The teams from each respective title have worked together to generate additional revenue flow, and the successful execution of this endeavor reaffirms the Group’s vision and strategy of expanding revenue through cross-selling among titles. Just nine months after the introduction of MING into China, it has become a popular brand in the lifestyle genre. This model for success will be replicated in the future. Additional brand extensions and organic expansion will continue to be significant growth drivers as the Group expands further into the Mainland China market.

During the period under review, PS and TG recorded continued growth, primarily driven by the loyal support of clients in the automotive and consumer electronics categories. Meanwhile, T3 maintained its status as a player in the crowded and competitive market of technology magazines in the electronics category.

RS is well on its way to becoming a staple in Mainland China for the music-oriented pop culture genre of lifestyle magazines. The internationally renowned title has now entered an exciting phase of its development as the Group has established a strong working relationship with its new publishing partner. The Group believes this title will be one of the significant growth drivers in the future.

Outlook

Driven by a robust economy, solid infrastructure and recent investment in high-quality human capital, the outlook for the Group is positive and firmly concentrated on growth. Acquisitions remain a major focus as a catalyst for further expansion into Mainland China. The Group will carefully consider appropriate targets that can assimilate well with the Group’s strategies and culture to further contribute to growth and earnings. The Group will primarily focus on the acquisition of additional lifestyle titles and will thoroughly scrutinize prospects that are China based, print related, earnings positive, and a compliment to the current demographic and advertisers. Meanwhile, the Group will continue to pursue organic growth through brand extensions and implement stringent cost control measure.

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment for the six months ended 30th September 2006 amounted to HK\$6,088,000.

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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the six months ended 30th September 2006.

Contingent liabilities

As at 30th September 2006, the Group did not have any material contingent liabilities or guarantees (2005: Nil).

Employees

As at 30th September 2006, the Group had approximately 280 employees (31st March 2006: approximately 270 employees), of which 169 and 111 were stationed in Hong Kong and in the 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 remuneration. The Company has implemented share option schemes as an incentive to the directors and eligible employees.

In Hong Kong, the Group participates in the hybrid retirement benefit scheme operated by the Company's fellow subsidiary and the Mandatory Provident Fund scheme for its employees. In the 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 the Mainland China.

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). The net proceeds, after deduction of related issuance expenses, amounted to approximately HK\$102,968,000 ("Net Proceeds"). The Net Proceeds were partially applied up to 30th September 2006 in accordance with the proposed applications set out in the Prospectus as follows:

	Proposed application of Net Proceeds	Actual amount used up to 30th September 2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Acquisition of magazine business in PRC	50,000	—
Sales and marketing activities for new magazines	24,000	6,818
Circulation-related activities of new magazines	12,000	8,097
Repayment of short-term loan	10,000	10,000
General working capital	6,968	5,000
	<u>102,968</u>	<u>29,915</u>

CORPORATE GOVERNANCE

As at 30th September 2006, the Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules and complied with the CG Code throughout the period.

COMPLIANCE OF THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

As at 30th September 2006, 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 period.

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

AUDIT COMMITTEE

The Company established an Audit Committee on 26th September 2005 with written terms of reference. The Audit Committee currently has three Independent Non-executive Directors, namely, Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter. The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30th September 2006 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. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter and two Executive Directors, namely, Mr. TIONG Kiew Chiong and Mr. Peter Bush BRACK.

NOMINATION COMMITTEE

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

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The Company's Interim Report 2006 containing all the information required by the Listing Rules will be published on the Stock Exchange's website in due course and will be dispatched to shareholders before the end of December 2006.

By Order of the Board
TIONG Kiu King
Director

Hong Kong, 14th December 2006

As at the date of this announcement, Mr. TIONG Kiu King, Mr. TIONG Kiew Chiong, Mr. Peter Bush BRACK, Mr. TUNG Siu Ho, Terence and Mr. Robert William Hong-San YUNG are executive directors of the Company. Mr. YU Hon To, David, Mr. SIT Kien Ping, Peter and Mr. TAN Hock Seng, Peter are independent non-executive directors of the Company.

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