



**Media Chinese International Limited  
Annual General Meeting**

**25 Aug 2010**

## Agenda

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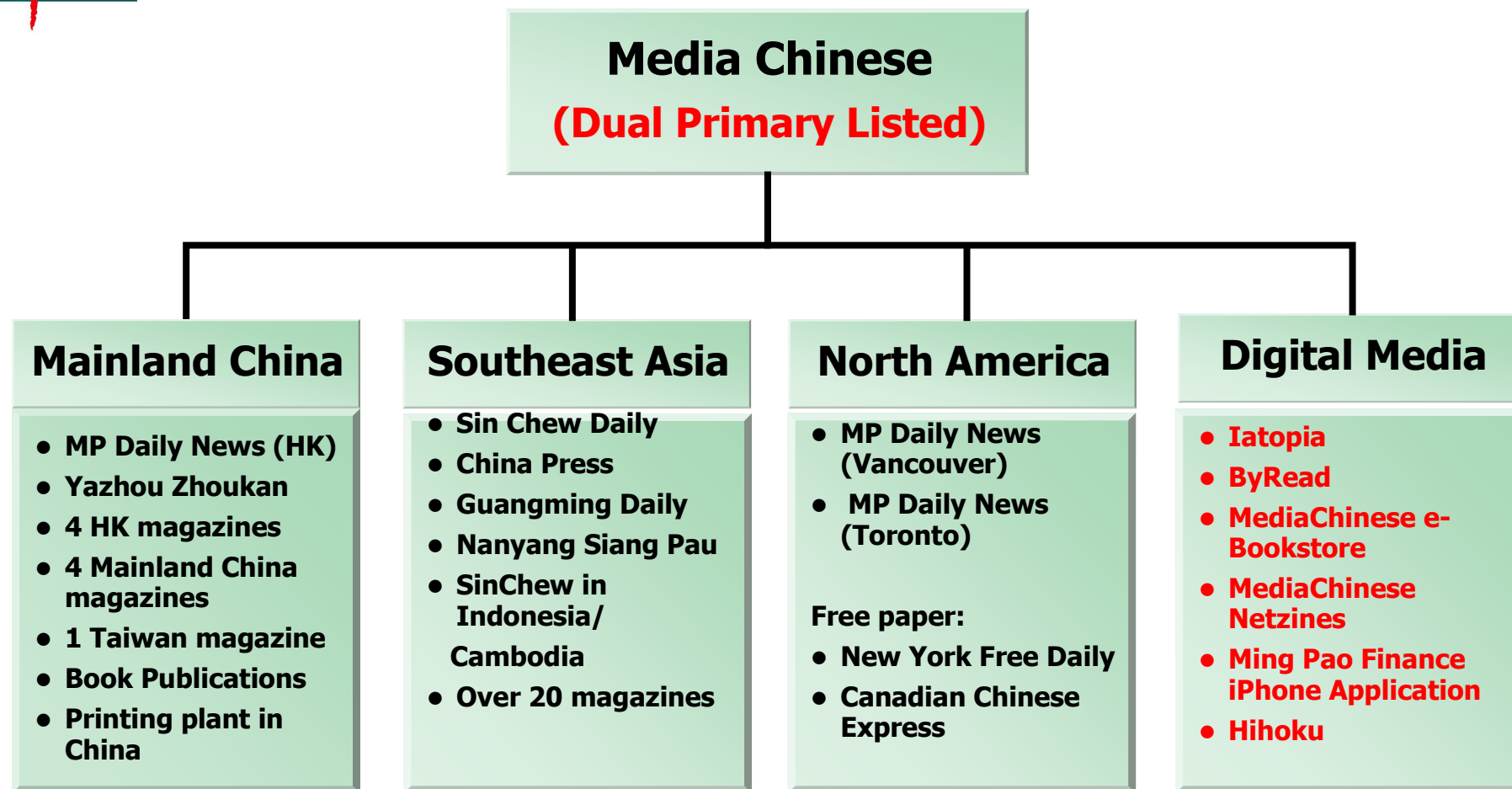
- Business Portfolio
- 2009/10 Highlights
- Financial Performance
- Future Plans and Strategies – Growing into Multimedia
- Questions from Minority Shareholder Watchdog Group



# **Business Portfolio**

- Leading Chinese language global media group
  - Dual primary listed in Malaysia and Hong Kong
  - Total shareholders' fund of USD 341 million
- Geographically and operationally diverse
  - Main geographic markets
    - Malaysia, Hong Kong, Mainland China, Canada and USA
- Core business segments
  - Publishing and printing
    - 5 newspapers and over 30 magazine titles
  - Travel and travel related services
  - Digital media
    - Iatopia
    - ByRead
    - MediaChinese e-Bookstore
    - MediaChinese Netzines
    - Ming Pao Finance iPhone Application
    - Hihoku

# Background & Product Portfolio



星洲日報  
SIN CHEW DAILY

南洋商報  
NANYANG SIANG PAU

明報

中國報  
CHINA PRESS

光明日報  
GuangMing Daily

# Product Brands

星洲日報  
SIN CHEW DAILY

南洋商報  
NANYANG SIANG PAU

明報

中國報  
CHINA PRESS

光明日報  
Guangming Daily

明報 月刊

明報 周刊

TopGear

明報 周刊  
MING PAO WEEKLY  
TAIWAN

TopGear  
汽车测试报告

Hitech 數碼誌尚

亞洲週刊  
YAZHOU ZHOUKAN

MING 明日风尚

亞洲眼  
Eye Asia Focus on Asia Business

星星 周刊  
SINAIAN SIN CHEW

小星星  
XIAOXINGXING SIN CHEW

LifeTV

學海

科技新时代  
POPULAR SCIENCE

Pet

City Red

大家健康

張外周報

AUTOWORLD

NEWiCON

newtide

釣魚月刊

Punching

Red 8 Line

風采feminine

新生活報

囍 My Wedding

美味  
風味

Let's go  
travel

少年

城市人

CITY Bella

妈咪宝贝

HOME

世華【文庫】

hi好酷  
www.hihoku.com



# **2009/10 Highlights**

## What is changing in the Media Industry...

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- Advertising market in Hong Kong and Malaysia has stabilised and begun to register positive growth since the impact of the global financial crisis.
- Circulation sales are expected to remain at sustainable levels
- Newsprint prices are expected to rise significantly due to tightening of supply and rising raw material costs
- Internet and mobile technology rapidly adopted



## The implications on Media Chinese's strategy

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- Maintaining our leadership status
  - Revamping the manner in which Ad Col cm is sold
  - Delivering value added services
  - Deliver superior editorial contents
  - Focus on core competence of content provision
- Further development in digital business, multi-media
  - Iatopia
  - ByRead
  - MediaChinese e-Bookstore
  - MediaChinese Netzines
  - Ming Pao Finance iPhone Application
  - Hihoku
- Continue with its cost control measures and improve efficiency

# Market Share in Malaysia and Hong Kong

## PENINSULA MALAYSIA

Period from 30 June 09 to 31 Dec 09

### Chinese Newspapers

### Copies

#### Sin Chew

-Sin Chew Daily

402,800

-Guang Ming Daily

123,048

#### Nanyang

-China Press

242,429

-Nanyang Siang Pau (figure for the period 1.7.06 to 30.6.07)

114,049

Source: Audit Bureau of Circulation, Malaysia

## Ranking in Malaysia

No. 1  
No. 3

No. 2  
No. 4

## HONG KONG

Period from 1 Jan 09 to 31 Dec 09

### Chinese Newspapers (paid)

### Readership

#### Ming Pao Daily News

441,000

Source: Nelsen HK Media Index 2009 Report

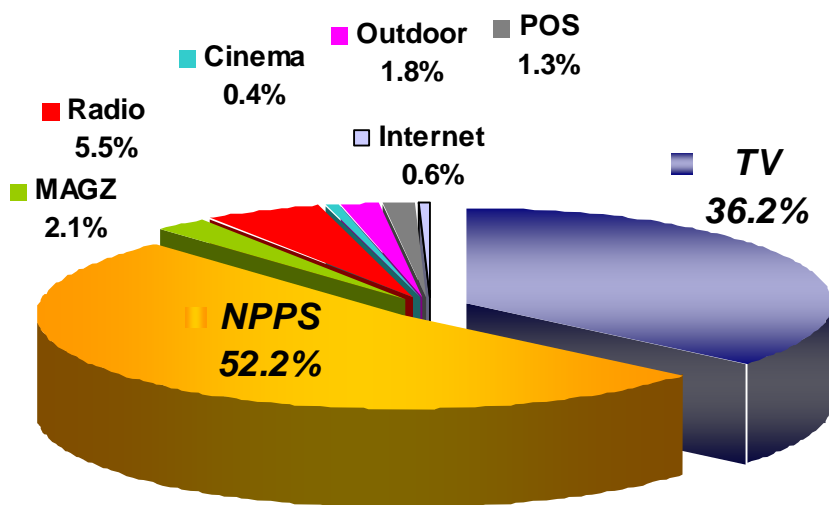
## Ranking in Hong Kong

No. 3  
&

**Most credible Chinese newspaper**  
in Media Credibility Survey 2009, Hong  
Kong Chinese University

# Total Adex for 2009 in Malaysia

## Total Adex in 2009



**RM 6,615m**

↑ **7%**

Total Adex in 2008: RM 6,160m

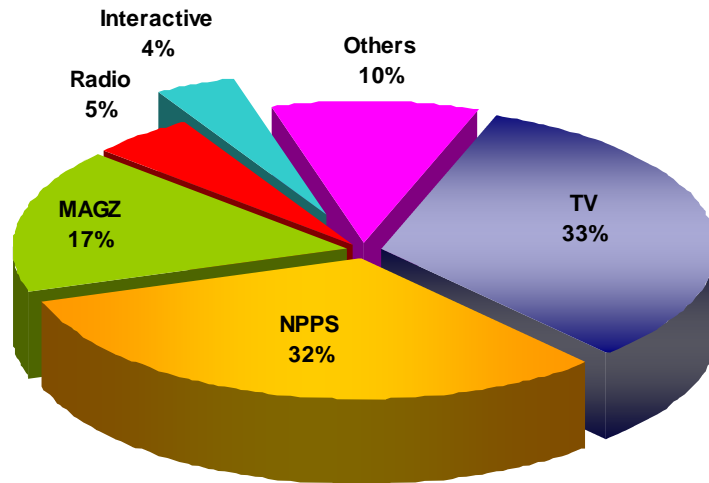
## Total Adex (RM)

**NPPS: 3,407m**  
**Magazines: 139m** ↑ **+2%**

TV: 2,446m  
 Radio: 362m  
 Outdoor: 112m  
 POS: 86m  
 Internet: 40m  
 Cinema: 22m

## Total Adex for 2009 in Hong Kong

### Total Adex in 2009



**HKD 67,330m**

**↑ 4.4%**

Total Adex in 2008: HKD 64,495m

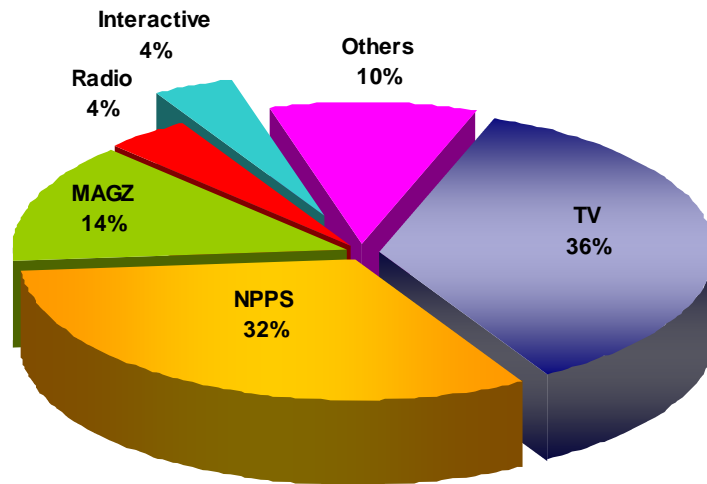
### Total Adex (HKD)

**NPPS: 21,017m** **↓ -3.7%**  
**Magazines: 10,706m**

TV: 23,133m  
Radio: 3,297m  
Interactive: 2,348m  
Others: 6,829m

# Rise in YTD June 2010 Adex in Hong Kong

## Total Adex in Jan – Jun 2010



**HKD 36,736m**

**↑ 22.9%**

Total Adex in YTD June 2009: HKD 29,901m

## Total Adex (HKD)

**NPPS: 11,819m**  
**Magazines: 5,486m** **↑ 24.8%**

TV: 12,971m  
 Radio: 1,525m  
 Interactive: 1,390m  
 Others: 3,546m



# **Financial Performance**

## 2009-10 Financial Highlights

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- Basic earnings per share were US\$2.44 cents, representing an increase of 144% compared with previous year
- FY2010 full year dividend per share of US\$1.221 cents, approximately payout ratio of 50% (FY2009: 59%)

# Dividends

	PATMI (USD)	DIVIDENDS	%
31.3.09	16,790,000	9,986,000	59.0
31.3.10	41,136,000	20,561,000	50.0



# Financial Performance Highlights

## Full Year Financial Performance – Turnover

Full Year Results (US\$ million)	FY 2009/10	FY 2008/09
Malaysia & other SEA countries	234.4	234.3
Hong Kong, PRC & North America	95.3	105.0
Travel and travel related services	46.3	54.9
<b>Total Turnover</b>	<b>376.0 ↓ 4.6%</b>	394.3

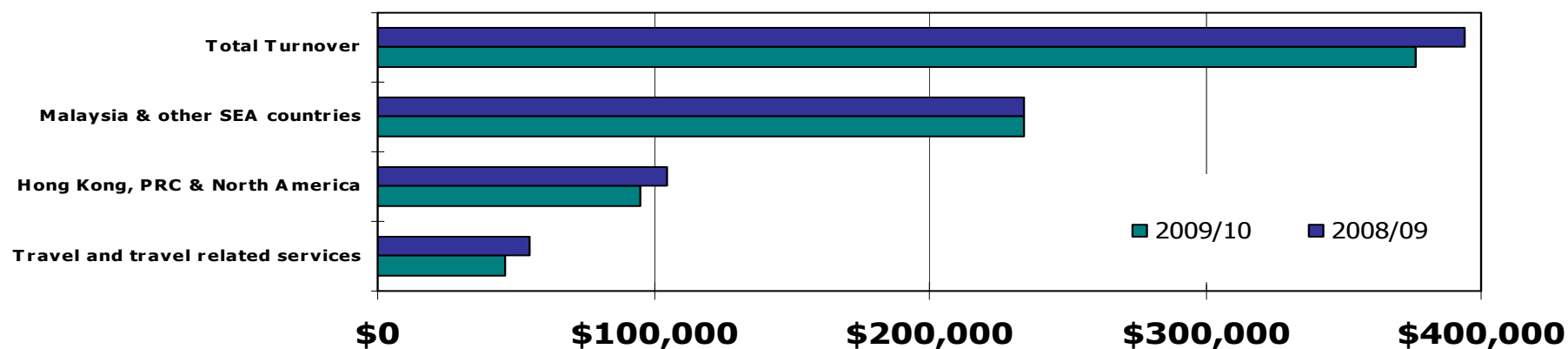
## Full Year Financial Performance – PBT

Full Year Results (US\$ million)	FY 2009/10	FY 2008/09
Malaysia & other SEA countries	52.5	36.6
Hong Kong, PRC & North America	3.3	(4.4)
Travel and travel related services	0	(0.1)
<b>Profit before tax*</b>	<b>55.8 ↑ 54%</b>	32.1

\*Before net unallocated expenses and share of loss of an associate

# Financial Performance Highlights

## Full Year Financial Performance – Turnover



## Financial Position Highlights

As at 31 March

(in US\$ million)	2010	2009	% change
Total assets	457.2	373.4	+ 22.4%
Net assets	341.3	279.8	+22%
Net current assets	129.9	101.0	+28.6%
Cash and cash equivalents	77.6	70.2	+ 10.6%
Net assets per share (US cents)	20.27	16.62	+22%
Earnings per share (US cents)	2.44	1.00	+144%

## Summary Balance Sheet

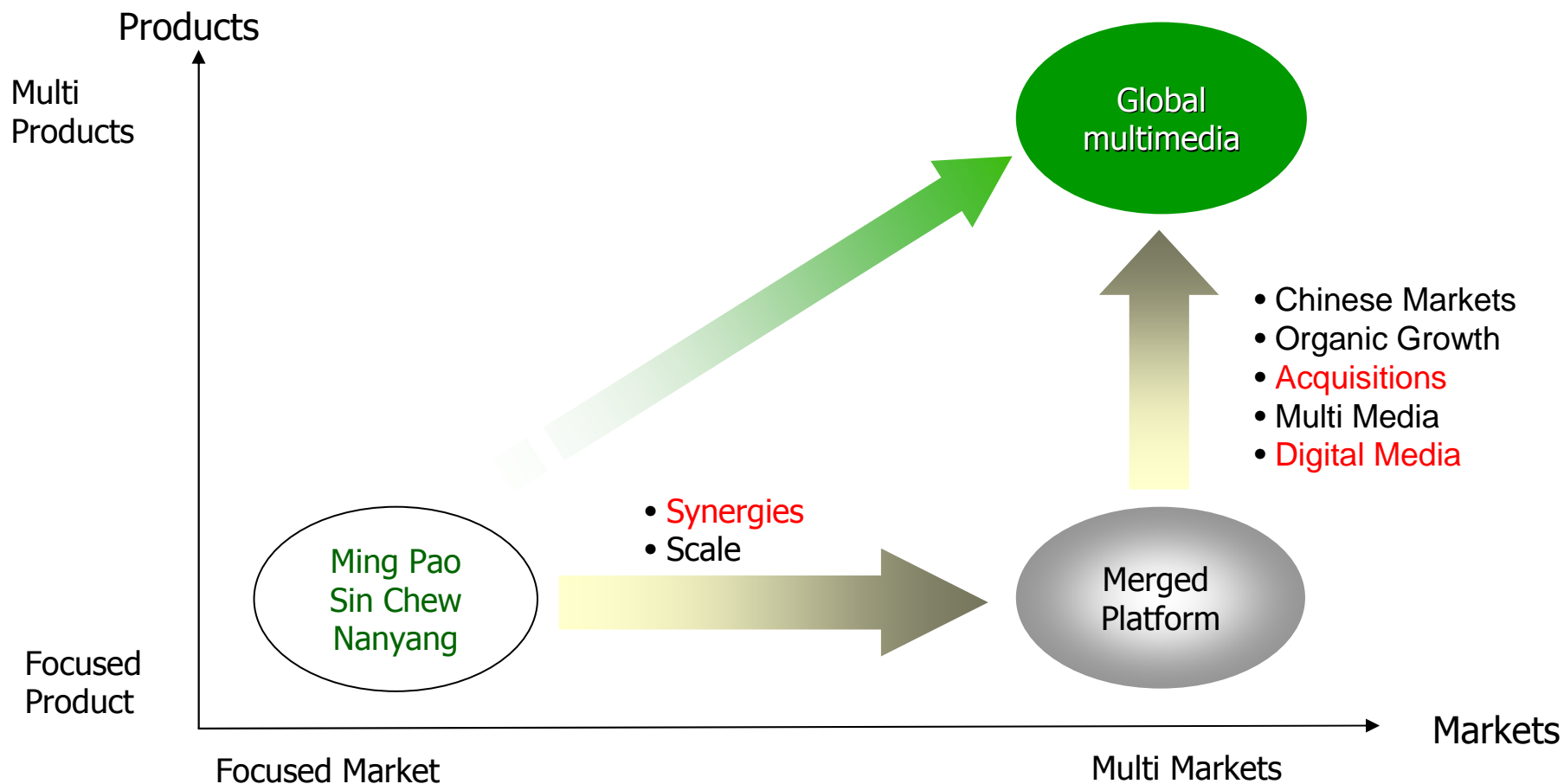
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- Cash and cash equivalents amounted to US\$77,635,000, 10.6% increase from previous year (FY2009: US\$70,205,000).
- Net cash position was US\$45,015,000 after deducting total borrowings (FY2009: US\$49,689,000) .
- The Group's net assets stood at US\$350 million, 21% higher than the previous year (FY2009: US\$288 million).



# **Strategic Outlook**

# Strategic Roadmap



## Achievements

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- Deliver operational synergies together with organic growth
- Strengthen the technology backup platform
  - Step1 – partnership with Iatopia, which help digitalize content bank
- Move into mobile reading industry
  - Step 1 – enter into mobile reading market in China through ByRead
  - Step 2 – enter into iPhone mobile reading platform, creating iPhone applications like MediaChinese e-Bookstore, Media Chinese Netzines, Ming Pao Finance Application...
  - Step 3 – liaise with partners in providing contents

- Partnership with Iatopia
  - Engaging in the creation and provision of intelligent technologies in multi-media and gateway to multi-topic interest e-communities
  - A patented IATOPIA Web 3.0 Web technology integrates an e-publication technology, a content management system (“CMS”) and a copyright protection technology
- Help the Group digitalize, manage and aggregate our content resulting in an enriched and organized content bank
- Currently, working on a number of archiving projects with government bodies



- Holding stakes in ByRead
  - With another stakeholder of Morningside
  - The best integrated service award under mobile reader category in ANALYSYS, and ranked No.5 in 2009 SPForum mobile software award
- Owns the websites known as Baiyue ([www.byread.com](http://www.byread.com))
  - Provide Social Networking Services (“SNS”) and online games
  - More than 35,000,000 mobile device users in the PRC using its mobile reading software
  - More than 25,000,000 registered users for its SNS Community services

## MediaChinese e-Bookstore iPhone Application



## Latest updates

- 值得 by famous artist Sammi Cheng Sau Man
- 麻生・尋鬼記 by artist Chu Tien You
- 什麼口感, 男人食肆 and 旅人形江戶亂步 by famous writer Wong Yi Hing
- 歲月神偷 - 電影文本 by noted film producers Mabel Cheung Yuen Ting and Alex Law Kai Yui



- MediaChinese e-Bookstore targets to have 500 e-books, excluding emagazines, on the iPhone platform at the end of 2010

# Digital Media – MediaChinese e-Bookstore

- Next step: e-Bookstore on iPad



# Digital Media – Media Chinese Netzines

- Recently launched in mid July, 2010

## Media Chinese Netzines iPhone Application



## Magazine Titles



## Digital Media – Mobile Reading

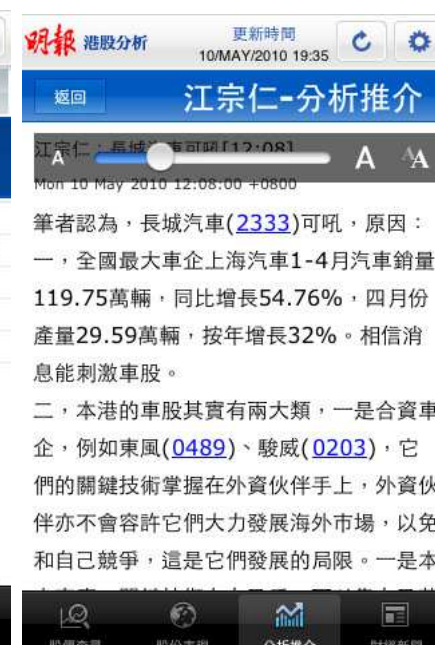
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# Digital Media – Ming Pao Finance iPhone App

- A free comprehensive iPhone application provides the latest updates of the stock market in Hong Kong



- Entertainment Website
  - A professional entertainment website with instant news, special interviews and videos
- Daily update content from Hong Kong and China
- Korean contents from partner





Media Chinese is...

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Chinese Language

**Content Provider**

in Multimedia





## **Questions from Minority Shareholder Watchdog Group**

## Questions from Minority Shareholder Watchdog Group

1. *It is noted that the Group's impressive growth in profit was driven by lower newsprint costs and operating expenses incurred during the year. However, the newsprint prices are expected to rise significantly in the ensuing year due to tightening of supply and rising raw material costs.*

*What are the savings accrued from the lower newsprint prices as average price fell by 12%, and its operating expenses cut during the year under review respectively?*

The lower newsprint consumption cost for financial year 2010 (FY2010) was not achieved solely from the lower newsprint commodity prices but also from the efficient usage of the same through maximization of usage and reduction of wastage. Overall, newsprint consumption cost for FY 2010 fell by about 14 % if compared to the previous financial year.

## Questions from Minority Shareholder Watchdog Group

- b) *It was reported that the Group's stock holding position would help mitigate some of the increases in production costs. What is the Board's medium to longer term plan(s) to continue mitigating the impact on the bottom-line?*

In addition to building newsprint inventory level whenever its prices are on the lower side, the Board's plan is also to increase efficiency of its operations and reduce wastage. This means that the top management of the Group will review all departments and its work processes including its printing plants to carry out the necessary modifications to its workflow in order to achieve optimization. For example, the printing plants will be refurbished where necessary in order to reduce wastage.

## Questions from Minority Shareholder Watchdog Group

**2. *Malaysia and other Southeast Asian countries remained as the major contributor to the Group's revenue and profit. Hong Kong and Mainland China recorded a small profit of US\$3.78 million (2009: loss of US\$175,000), while North America remained loss making amid a restructuring of its USA operations in early 2009.***

**a) *How soon would the USA operations be able to contribute positively given the narrowed down losses in 2010 as compared to 2009?***

Our USA and Canadian operations are now managed as one under our North America operations. In New York we have a free paper which results are encouraging and we believe that we are on the right track. The Canadian operations which comprise of both our print and tour business have improved significantly as the US economy shows signs of improvement which should be reflected in the coming quarters.

## Questions from Minority Shareholder Watchdog Group

***b) Hong Kong and Mainland China contributed 18.7% to the Group's total revenue, but only 6.8% of the profit before tax. What are the reasons for the lagging performance and how is the Board's effort to improve its performance?***

The Hong Kong and Mainland China operations especially its revenue were badly affected by the downturn in US economy and the global economic crisis. This was worsened by the fact that the cost of operating businesses in Hong Kong is much higher than in Malaysia. As such during the downturn, the management in Hong Kong had implemented cost cutting measures such as reducing headcounts and freezing increments. However its performance has picked up since the last quarter of last calendar year. Barring unforeseen circumstances, its performance should improve in Financial Year 2011.

## Questions from Minority Shareholder Watchdog Group

- 3. *In Note 38 on Contingencies, there are several libel suits which involve claims against some companies in the Group. The Group has been strongly contesting those claims. What is the status and progress as well as the amounts of the claims involved?***

The cases which are material, the amount claimed and their status are stated in pages 26 to 28 of our circular dated 26th July 2010. The other cases which are not mentioned in there are not material.

## Questions from Minority Shareholder Watchdog Group

- 4) *In Note 41 on Event After the Reporting Period, the Company acquired additional 11.07% equity interest in One Media Group Limited (OMG) and increased its shareholdings to 73.9% by 11 June 2010. What is the reason(s) to increase the Company's shareholding in OMG?***

According to an agreement with the seller (which was another substantial shareholder of OMG), if the Company did not accept the offer, the seller shall sell the OMG shares to other parties within 30 days at a price per share not less than the offer to the Company.

As there is value in OMG, the Company has decided to exercise its right of first refusal. After several negotiations with the seller, the purchase price per share was reduced to HK\$0.30 per ordinary share, such purchase price represented 28.2% below the net asset value per share of OMG, HK\$0.418 and 4.2% below the cash value per share of OMG, HK\$0.313 as at 31 March 2010. Recently, OMG has announced a special dividend of HK\$0.10. This further reduced our cost per share to HK\$0.20.

## Questions from Minority Shareholder Watchdog Group

***5. It was reported that the Board engaged the Auditor of the Company to perform certain factual finding procedures on the continuing connected transactions (CCT) in accordance with Hong Kong Standard on Related Services 4400. The Auditor had reported the factual findings on these procedures to the Board of Directors. Could the Board brief the shareholders on the findings and its implications, if any?***

In accordance with Rule 14A.38 of HK Listing Rules, the Auditor has confirmed that the CCT:

- a) has been approved by the board of directors (sighted board minutes);



## Questions from Minority Shareholder Watchdog Group

- b) pricing is in accordance with the pricing policies of the Company;
- c) has been entered into in accordance with relevant agreement (verified against the agreement);
- d) has not exceeded the relevant cap (by comparing with cap amount as disclosed in previous announcement).

*Note: this is a summary of the full detailed answer for the easy understanding of our shareholders.*

## Questions from Minority Shareholder Watchdog Group

6. *Ordinary resolution 3 seeks the approval of shareholders to approve the proposed increase of Directors' fees for the financial year ending 31 March 2011 by approximately US\$42,100 from US\$439,000 to US\$481,100. What is the rationale for the Board to seek the proposed increase in advance?*

The Bye-Laws of the Company provide that any increase of Directors' fees must be approved at a general meeting. There is no rule as to when this approval must be sought hence in order to promote good corporate governance and pursuant to our discussion with Bursa, the Company has decided to seek approval for the increase this year even though the increase is for FY 2011.

## Questions from Minority Shareholder Watchdog Group

- 7. *MSWG is promoting good corporate governance practices in PLCs. In this regard, we hope the Board would give due consideration to a dividend policy, code of conduct and ethics for directors and also a whistle-blowing policy.***

We note your recommendations and we will look into it.

**Thank you**

## Looking Forward Statements

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This presentation includes certain forward-looking statements. All statements, other than statements of historical facts, that address activities, events or developments that Media Chinese International Ltd expects or anticipates will or may occur in the future are forward-looking statements. Media Chinese International Ltd's actual results or developments may differ materially from those indicated by these forward-looking statements as a result of various factors and uncertainties, including but not limited to price fluctuations, actual demand, exchange rate fluctuations, market shares, competition, environmental risks, changes in legal, financial and regulatory frameworks, international economic and financial market conditions, political risks, project delay, project approval, cost estimates and other risks and factors beyond the control of Media Chinese International Ltd. In addition, Media Chinese International Ltd makes the forward-looking statements referred to in this presentation as of today and undertakes no obligation to update these statements.