明報

# MING PAO ENTERPRISE CORPORATION LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 685)**

# ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST MARCH 2006

The directors of Ming Pao Enterprise Corporation Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31st March 2006, together with comparative figures for the corresponding year in 2005:

**CONSOLIDATED INCOME STATEMENT**
**Year ended 31st March 2006**

| | *Note* | **2006** *HK$'000* | As restated 2005 *HK$'000* |
|---|---|---|---|
| Turnover | *3* | **1,248,623** | 1,168,679 |
| Cost of goods sold | | **(911,147)** | (828,499) |
| Gross profit | | **337,476** | 340,180 |
| Other gains | | **70,229** | 8,824 |
| Selling and distribution expenses | | **(197,280)** | (165,952) |
| Administrative expenses | | **(123,838)** | (106,287) |
| Other operating (expenses)/income, net | | **(945)** | 2,186 |
| Operating profit | *4* | **85,642** | 78,951 |
| Finance costs | *5* | **(3,209)** | (2,325) |
| Share of losses of associated companies | | **(2,909)** | (3,677) |
| Profit before income tax | | **79,524** | 72,949 |
| Income tax expense | *6* | **(7,529)** | (21,776) |
| Profit for the year | | **71,995** | 51,173 |
| Attributable to: | | | |
| Equity holders of the Company | | **68,514** | 43,340 |
| Minority interests | | **3,481** | 7,833 |
| | | **71,995** | 51,173 |
| Dividends | *7* | **(28,011)** | (27,619) |
| Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share) | | | |
| – basic | *8* | **17** | 11 |
| – diluted | *8* | **17** | 11 |

**CONSOLIDATED BALANCE SHEET**
**31st March 2006**

| | Note | 2006 HK$'000 | As restated 2005 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **163,831** | 175,939 |
| Leasehold land and land use rights | | **110,557** | 113,269 |
| Intangible assets | | **69,133** | 2,028 |
| Interests in associated companies | | **–** | 22,210 |
| Defined benefit plan's assets | | **15,104** | 14,687 |
| Deferred income tax assets | | **671** | 621 |
| | | **359,296** | 328,754 |
| **Current assets** | | | |
| Inventories | | **53,124** | 51,043 |
| Available-for-sale financial assets | | **4,698** | – |
| Financial assets at fair value through profit or loss | | **2,085** | – |
| Trading securities | | **–** | 1,948 |
| Trade receivables | *10* | **173,435** | 161,342 |
| Deposits, prepayments and other receivables | | **65,349** | 38,211 |
| Deferred income tax assets | | **3,521** | 128 |
| Income tax recoverable | | **6,476** | 894 |
| Bank balances and cash | | **308,933** | 190,158 |
| | | **617,621** | 443,724 |
| **Current liabilities** | | | |
| Trade payables | *11* | **66,577** | 50,140 |
| Accrued charges and other payables | | **116,853** | 68,064 |
| Income tax liabilities | | **633** | 7,589 |
| Short-term bank loans, secured | | **18,964** | 22,081 |
| Bank overdrafts, secured | | **20,906** | 12,504 |
| Current portion of long-term liabilities | | **5,227** | 5,943 |
| Deferred income tax liabilities | | **878** | 437 |
| | | **230,038** | 166,758 |
| **Net current assets** | | **387,583** | 276,966 |
| **Total assets less current liabilities** | | **746,879** | 605,720 |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | | **40,522** | 39,442 |
| Reserves | | **593,651** | 517,345 |
| | | **634,173** | 556,787 |
| **Minority interests** | | **81,387** | 12,318 |
| **Total equity** | | **715,560** | 569,105 |
| **Non-current liabilities** | | | |
| Long-term liabilities | | **17,926** | 22,448 |
| Deferred income tax liabilities | | **13,393** | 14,167 |
| | | **746,879** | 605,720 |

**1. Adoption of new Hong Kong Financial Reporting Standards**

The accounting policies and method of computation used in the preparation of the audited consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st March 2005, except that the Group has changed certain of its accounting policies following its adoption of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are effective for accounting periods commencing on or after 1st January 2005:

The Group has adopted the new HKFRSs below, which are relevant to its operations, in the preparation of the financial statements. The 2005 comparatives have been amended as required, in accordance with the relevant requirements.

| | |
|---|---|
| HKAS 1 | Presentation of Financial Statements |
| HKAS 2 | Inventories |
| HKAS 7 | Cash Flow Statements |
| HKAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors |
| HKAS 10 | Events after the Balance Sheet Date |
| HKAS 12 | Income Taxes |
| HKAS 14 | Segment Reporting |
| HKAS 16 | Property, Plant and Equipment |
| HKAS 17 | Leases |
| HKAS 19 | Employee Benefits |
| HKAS 21 | The Effects of Changes in Foreign Exchange Rates |
| HKAS 23 | Borrowing Costs |
| HKAS 24 | Related Party Disclosures |
| HKAS 27 | Consolidated and Separate Financial Statements |
| HKAS 28 | Investments in Associates |
| HKAS 32 | Financial Instruments: Disclosure and Presentation |
| HKAS 33 | Earnings per Share |
| HKAS 36 | Impairment of Assets |
| HKAS 38 | Intangible Assets |
| HKAS 39 | Financial Instruments: Recognition and Measurement |
| HKFRS 2 | Share-based Payment |
| HKFRS 3 | Business Combinations |
| HK-Int 4 | Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases |
| HKAS-Int 12 | Consolidation – Special Purpose Entities |
| HKAS-Int 15 | Operating Leases – Incentives |
| HKAS-Int 31 | Revenue – Barter Transactions Involving Advertising Services |

The adoption of the above new HKFRSs has the following impact on the Group's accounting policies:

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 19, 21, 23, 27, 28, 33, 38, HK-Int 4 and HKAS-Int 12, 15 and 31 did not result in substantial changes to the Group's accounting policies.

HKAS 1 has affected the presentation of minority interest and disclosure of the financial statements.

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

The effects of the adoption of certain new HKFRSs, which result in substantial changes to the Group's accounting policies are set out below:

*(a)* *HKAS 17: Leases ("HKAS 17")*

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings in Hong Kong and Mainland China were previously carried at cost or valuation less accumulated depreciation and accumulated impairment losses. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. The lease of land should be classified as an operating lease and any premium paid thereon is stated at cost and amortised over the period of the lease. The leasehold building is stated at cost or valuation less accumulated depreciation and accumulated impairment losses. The prepaid land premium and land use rights are presented in the balance sheet as a separate item under non-current assets. The leasehold building is included under the classification of property, plant and equipment in the balance sheet. The effect of these changes has been reflected in the comparative figures and is summarised in note 2.

*(b)* *HKAS 32: Financial Instruments: Disclosure and Presentation ("HKAS 32")*

*HKAS 39: Financial Instruments: Recognition and Measurement ("HKAS 39")*

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

*(c)* *HKAS 36: Impairment of Assets ("HKAS 36")*

*HKFRS 3: Business Combinations ("HKFRS 3")*

The adoption of HKAS 36 and HKFRS 3 has resulted in a change in accounting policy for goodwill. Prior to this, goodwill was amortised on a straight-line basis over a period of not exceeding 15 years and assessed for any indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1st April 2005 onwards and goodwill is tested annually for impairment as well as when there is indication of impairment.

*(d)* *HKFRS 2: Share-based Payment ("HKFRS 2")*

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

In addition, share options were conditionally granted under a pre-IPO share option scheme (the "Pre-IPO Scheme") of a subsidiary namely One Media Group Limited ("OMG") to certain employees of the Group on 26th September 2005 and was approved upon the listing of OMG on 18th October 2005 (the "Listing Date"), the vesting scales in relation to each option granted to the grantees shall begin on the Listing Date. The impact to the consolidated income statement of the Group for the year ended 31st March 2006 was HK$794,000.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All standards adopted by the Group require retrospective application except HKAS 32, 39 and HKFRS 3, which is prospectively applied after 1st April 2005.

2. **Summary of the effects of the changes in accounting policies:**

(a) **On consolidated income statement**

| | **HKAS 17** | **Effect of adopting HKFRS 2** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **For the year ended 31st March 2006** | | | |
| Decrease in depreciation | **6,486** | **–** | **6,486** |
| Increase in amortisation of leasehold land and land use rights | **(2,712)** | **–** | **(2,712)** |
| Increase in deferred tax charge | **(624)** | **–** | **(624)** |
| Increase in staff costs | **–** | **(794)** | **(794)** |
| Increase/(decrease) in profit for the year | **3,150** | **(794)** | **2,356** |
| Increase/(decrease) in basic earnings per share (HK cents) | **0.8** | **(0.2)** | **0.6** |
| Increase/(decrease) in diluted earnings per share (HK cents) | **0.8** | **(0.2)** | **0.6** |
| **For the year ended 31st March 2005** | | | |
| Decrease in depreciation | 6,486 | – | 6,486 |
| Increase in amortisation of leasehold land and land use rights | (2,712) | – | (2,712) |
| Increase in deferred tax charge | (624) | – | (624) |
| Increase in profit for the year | 3,150 | – | 3,150 |
| Increase in basic earnings per share (HK cents) | 0.8 | – | 0.8 |
| Increase in diluted earnings per share (HK cents) | 0.8 | – | 0.8 |

(b) **On consolidated balance sheet**

| | **HKAS 17** | **Effect of adopting HKAS 32 and HKAS 39** | **HKFRS 2** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **As at 31st March 2006** | | | | |
| Increase/(decrease) in assets and liabilities | | | | |
| Property, plant and equipment | **(177,206)** | **–** | **–** | **(177,206)** |
| Leasehold land and land use rights | **110,557** | **–** | **–** | **110,557** |
| Available-for-sale financial assets | **–** | **4,698** | **–** | **4,698** |
| Trading securities | **–** | **(2,085)** | **–** | **(2,085)** |
| Financial assets at fair value through profit or loss | **–** | **2,085** | **–** | **2,085** |
| Deposits, prepayments and other receivables | **–** | **(4,698)** | **–** | **(4,698)** |
| Deferred income tax liabilities | **(13,023)** | **–** | **–** | **(13,023)** |
| Increase/(decrease) in equity | | | | |
| Revaluation reserves | **(85,715)** | **–** | **–** | **(85,715)** |
| Employee share-based compensation reserve | **–** | **–** | **794** | **794** |
| Accumulated losses | **32,089** | **–** | **(794)** | **31,295** |
| **As at 31st March 2005** | | | | |
| Increase/(decrease) in assets and liabilities | | | | |
| Property, plant and equipment | (183,692) | – | – | (183,692) |
| Leasehold land and land use rights | 113,269 | – | – | 113,269 |
| Deferred income tax liabilities | (13,647) | – | – | (13,647) |
| Increase/(decrease) in equity | | | | |
| Revaluation reserves | (85,715) | – | – | (85,715) |
| Accumulated losses | 28,939 | – | – | 28,939 |

3. **Segment information**

The Group is principally engaged in the publication of Chinese newspapers, periodicals and books, provision of travel and travel related services. The Group's turnover and results for the year, analysed by business segments and geographical segments, are as follows:

*Primary reporting format – business segments*

| | **Publishing** *(note (a))* **2006** ***HK$'000*** | **Travel and travel related services 2006** ***HK$'000*** | **Elimination 2006** ***HK$'000*** | **Group 2006** ***HK$'000*** |
|---|---|---|---|---|
| Turnover | **828,776** | **419,847** | – | **1,248,623** |
| Segment results | **15,418** | **1,994** | – | **17,412** |
| Interest income | | | | **8,640** |
| Other gains | | | | **60,956** |
| Net unallocated expenses | | | | **(1,366)** |
| Operating profit | | | | **85,642** |
| Finance costs | | | | **(3,209)** |
| Share of losses of associated companies | | | | **(2,909)** |
| Profit before income tax | | | | **79,524** |
| Income tax expense | | | | **(7,529)** |
| Profit for the year | | | | **71,995** |
| Segment assets | **849,663** | **34,862** | **(33,102)** | **851,423** |
| Unallocated assets | | | | **125,494** |
| Total assets | | | | **976,917** |
| Segment liabilities | **(218,470)** | **(42,339)** | **33,102** | **(227,707)** |
| Unallocated liabilities | | | | **(33,650)** |
| Total liabilities | | | | **(261,357)** |
| Capital expenditure on property, plant and equipment | **11,053** | **760** | – | **11,813** |
| Capital expenditure on intangible assets | **67,631** | – | – | **67,631** |
| Depreciation | **24,961** | **789** | – | **25,750** |
| Amortisation of leasehold land and land use rights | **2,712** | – | – | **2,712** |
| Amortisation of intangible assets | **526** | – | – | **526** |
| Net other non-cash expenses | **5,767** | **(109)** | – | **5,658** |

| | As restated Publishing *(notes (a) and (b))* 2005 *HK$'000* | Travel and travel related services 2005 *HK$'000* | Elimination 2005 *HK$'000* | As restated Group 2005 *HK$'000* |
|---|---|---|---|---|
| Turnover | 778,586 | 390,093 | – | 1,168,679 |
| Segment results | 75,848 | 1,359 | – | 77,207 |
| Interest income | | | | 2,949 |
| Net unallocated expenses | | | | (1,205) |
| Operating profit | | | | 78,951 |
| Finance costs | | | | (2,325) |
| Share of losses of associated companies | | | | (3,677) |
| Profit before income tax | | | | 72,949 |
| Income tax expense | | | | (21,776) |
| Profit for the year | | | | 51,173 |
| Segment assets | 647,440 | 42,168 | (28,768) | 660,840 |
| Interests in associated companies | 22,210 | – | – | 22,210 |
| Unallocated assets | | | | 89,428 |
| Total assets | | | | 772,478 |
| Segment liabilities | (142,715) | (43,334) | 28,768 | (157,281) |
| Unallocated liabilities | | | | (46,092) |
| Total liabilities | | | | (203,373) |
| Capital expenditure on property, plant and equipment | 15,411 | 592 | – | 16,003 |
| Depreciation | 25,352 | 794 | – | 26,146 |
| Amortisation of leasehold land and land use rights | 2,712 | – | – | 2,712 |
| Amortisation of goodwill | 137 | – | – | 137 |
| Net other non-cash expenses | 1,573 | 123 | – | 1,696 |

*Secondary reporting format – geographical segments*

| | 2006 | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Turnover | | |
| Hong Kong | **754,909** | 737,114 |
| North America | **459,484** | 397,820 |
| Mainland China | **34,230** | 33,745 |
| | **1,248,623** | 1,168,679 |

*Notes:* (a) Publishing turnover comprises sales of newspapers, periodicals and books, advertising income and income derived from the Group's various Internet portals.

(b) Certain comparative figures have been restated to conform to the current year's presentation.

4. **Operating profit**

The Group's operating profit is arrived at after crediting and charging the following:

| | 2006 | As restated 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Crediting** | | |
| Net exchange gain | **1,818** | 953 |
| Fair value gains on financial assets through profit or loss | **137** | – |
| Unrealised gain on trading securities | **–** | 149 |
| Gain on disposals of property, plant and equipment | **–** | 29 |
| Write-back of over-provision for inventory obsolescence | **–** | 164 |
| Deemed disposal gain of interests in subsidiaries | **33,102** | 2,054 |
| Gain on disposal of interests in subsidiaries | **27,854** | – |
| **Charging** | | |
| Depreciation | | |
| Owned property, plant and equipment | **23,945** | 24,581 |
| Leased property, plant and equipment | **1,805** | 1,565 |
| Amortisation of leasehold land and land use rights | **2,712** | 2,712 |
| Amortisation of goodwill | **–** | 137 |
| Amortisation of intangible assets | **526** | – |
| Provision for impairment of receivables | **4,872** | 1,860 |
| Provision for inventory obsolescence | **786** | – |
| Loss on disposals of property, plant and equipment | **76** | – |

5. **Finance costs**

| | 2006 | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank loans and overdrafts | **2,728** | 1,695 |
| Interest element of finance leases | **481** | 630 |
| | **3,209** | 2,325 |

6. **Income tax expense**

Hong Kong profits tax is provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profit is calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates. The amount of income tax expense charged to the audited consolidated income statement represents:

| | 2006 | As restated 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| Current year | **8,975** | 16,879 |
| (Over)/under provision in prior years | **(337)** | 9 |
| Overseas taxation | | |
| Current year | **3,001** | 4,527 |
| Over provision in prior years | **(334)** | (445) |
| Deferred income tax | **(3,776)** | 806 |
| | **7,529** | 21,776 |

7. **Dividends**

| | 2006 | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interim, paid, of HK3 cents (2005: HK3 cents) per ordinary share | **11,805** | 11,858 |
| Final, proposed, of HK4 cents (2005: HK4 cents, paid) per ordinary share *(note (a))* | **16,206** | 15,761 |
| | **28,011** | 27,619 |

*Note:*

(a) The board of directors has resolved to recommend a final dividend of HK4 cents (2005: HK4 cents) per ordinary share for the year ended 31st March 2006. Upon approval by the shareholders, the final dividend will be paid on 20th September 2006 to shareholders whose names appear on the register of members of the Company on 8th September 2006.

8. **Earnings per share**

(i) *Basic*

The calculation of basic earnings per share is based on the Group's profit attributable to the equity holders of HK$68,514,000 (2005: HK$43,340,000, as restated) and the weighted average number of 393,864,156 (2005: 395,924,441) ordinary shares in issue during the year.

(ii) *Diluted*

The calculation of diluted earnings per share is based on the Group's profit attributable to the equity holders of HK$68,514,000 (2005: HK$43,340,000, as restated) and the weighted average number of 393,991,242 (2005: 396,065,963) ordinary shares after adjusting for the effects of all dilutive potential ordinary shares.

9. **Acquisition of Yazhou Zhoukan Holdings Limited**

On 20th March 2006, the Company entered into a sale and purchase agreement relating to the acquisition of 50% issued share capital of Yazhou Zhoukan Holdings Limited ("YZH") from Energetic Assets Limited, a wholly-owned subsidiary of TOM Group Limited at a consideration of HK$16.2 million. YZH's wholly owned subsidiary, Yazhou Zhoukan Limited, is principally engaged in the operation of the magazine "Yazhou Zhoukan" with distribution network around the world.

The acquisition has been accounted for using the purchase method of accounting. An amount of HK$25,656,000, which represented the excess of the acquisition cost over the fair value of identifiable assets acquired and liabilities assumed, was recorded as goodwill. YZH has become a wholly-owned subsidiary and its results have been consolidated into the Group's financial statements since the acquisition date.

10. **Trade receivables**

At 31st March 2006, the ageing analysis of the Group's trade receivables is as follows:

| | **2006** | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 60 days | **106,057** | 96,999 |
| 61 to 120 days | **44,164** | 44,124 |
| 121 to 180 days | **15,895** | 16,093 |
| Over 180 days | **7,319** | 4,126 |
| | **173,435** | 161,342 |

The Group allows in general a credit period ranging from 7 days to 90 days and 30 days to 180 days to its trade customers in Hong Kong and Mainland China respectively.

11. **Trade payables**

At 31st March 2006, the ageing analysis of the Group's trade payables is as follows:

| | **2006** | 2005 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 60 days | **57,114** | 46,465 |
| 61 to 120 days | **6,050** | 2,648 |
| 121 to 180 days | **2,985** | 852 |
| Over 180 days | **428** | 175 |
| | **66,577** | 50,140 |

## MANAGEMENT DISCUSSION AND ANALYSIS

Over the past year, the Group operated in a very competitive and challenging business environment. On one hand, the global economy continued to expand in 2005, especially in the United States and Mainland China. The Group has benefited from these favourable economic conditions and recorded increases in turnover for the year. On the other hand, the Group had to face the challenges of controlling costs, in particular the increase in newsprint prices and labour costs. The launching of several daily newspapers, including free newspapers, in both the local and overseas markets and the price cutting strategies of some newspapers during the year aggravated the already challenging media business environment. The Group's operating results for the past year were evidently affected by these factors. In addition, significant resources had been allocated in the past year to develop the Group's lifestyle magazine business operated through One Media Group Limited ("OMG") in Mainland China.

On 18th October 2005, OMG, a subsidiary of the Group that publishes lifestyle magazines, was successfully listed on the Main Board of the Stock Exchange in Hong Kong. A gain of HK$33 million was recognised and included in the Group's consolidated income statement. The board believed that the successful spin-off and listing of OMG enabled the Group to tap into the fast growing Chinese-language lifestyle magazine market in Mainland China.

The Group acquired 50% equity interest in Yazhou Zhoukan, a weekly cultural and current affairs Chinese-language magazine, from TOM Group Limited effective January 2006 at a total consideration of HK$16.2 million. The acquisition has resulted in Yazhou Zhoukan becoming a wholly-owned subsidiary of the Group. Following the change in control, a strategic reassessment of Yazhou Zhoukan's business plan was undertaken, with particular attention to its distribution channels, target advertisers and marketing strategies. The board believed that synergies would be achieved through sharing and integrating operations between Yazhou Zhoukan and the different publications of the Group.

In March 2004, the Group and Redgate Media Inc. ("Redgate") entered into an agreement ("Redgate Agreement") such that 40% of the equity interest in Winmax Resources Limited ("Winmax"), a subsidiary of the Group that operates the Group's lifestyle magazine business, was transferred to Redgate. In return, Redgate transferred its 100% equity interest in Media2U Group together with a cash consideration of HK$8.9 million to the Group. Details of the transaction was disclosed in the Company's announcement dated 9th March 2004. One of the conditions in the Redgate Agreement provided that if Media2U Group could not achieve an agreed pre-tax profit target for the two financial years commencing from 1st April 2004 to 31st March 2006 ("Pre-tax Profit") as prescribed therein, Redgate would at its discretion either pay to the Group a pre-determined cash amount or reduce its shareholding in Winmax. As Media2U Group did not achieve the Pre-tax Profit, a gain on disposal of partial interest in subsidiaries of HK$28 million was recorded in the Group's consolidated income statement for the current year to reflect the probable adjustment to the value of consideration received on disposal of partial equity interests in Winmax in accordance with the Redgate Agreement.

Consolidated turnover amounted to HK$1,249 million for the year ended 31st March 2006, an increase of HK$80 million (7%) compared with that of last year. The increase was due largely to the HK$54 million (9%) increase in the Group's advertising revenues and the HK$30 million (8%) increase in the travel related revenues. The growth was fuelled by the generally favourable conditions in the global economy which has led to companies increasing their advertising spending and more people travelling for leisure and business.

Despite the improvement in turnover, increased costs of newsprint, labour and operating costs kept the Group's gross profit at the same level as last year.

Other gains included the HK$33 million gain from the spin-off of OMG in October 2005 and the HK$28 million gain resulting from the disposal of partial equity interests in Winmax.

Operating expenses increased by HK$53 million (19%) due primarily to the higher marketing and operating expenses amid more competitive market conditions and the rising labour costs. The development of the Group's lifestyle magazine business in Mainland China also led to an increase in the general operating expenses for the year.

Earnings per share for the year were HK17 cents as compared to HK11 cents for 2005.

**BUSINESS SEGMENT RESULTS REVIEW – PUBLISHING**

Turnover of the publishing business increased by 6% to HK$829 million which was mainly attributable to the growth of the Group's advertising revenues which showed a 9% increase when compared to those of last year. The various editions of Ming Pao Daily News in both Hong Kong and North America as well as the Group's lifestyle magazines recorded growth in their advertising revenues because of the improving global economy. Despite the improvement in turnover, the segmental results of the publishing business recorded a significant drop due largely to the increase in newsprint prices, labour costs and the development costs of the Group's lifestyle magazine business in Mainland China.

**Ming Pao Daily News**

Ming Pao Daily News (the "Daily"), the Group's flagship publication, experienced a challenging year. On one hand, it benefited from the improvement on Hong Kong's economy and lower unemployment rate and recorded an increase in its advertising revenues. Satisfactory growth was seen in the advertisement sectors for the recruitment classified, education, consumer products and travel related businesses. On the other hand, the operating environment became more difficult with the launch of free newspapers, price wars and rising production costs. In the past year, the average newsprint cost increased by 21% and it is anticipated that the rising trend will continue. To meet the challenges, the Daily will continue its drive of efficiencies in all aspects and to enhance the quality of its layout design and enrich its content in order to meet the changing tastes and demand of the readers.

With high journalistic standards, the Daily has sustained its leadership in the newspaper industry and secured a solid readership base. During the year, it received a number of prestigious journalists' awards as presented by The Newspaper Society of Hong Kong, the Society of Publishers in Asia and Ifra Asia.

**Overseas Editions of Ming Pao Daily News**

Benefiting from Canada's strong economy and prospering property market, the Group's Toronto and Vancouver editions enjoyed steady growth during the year. However, the launch of a daily newspaper in Toronto in October 2005 intensified the already fierce competition in the local Chinese-language newspaper market. Aggressive marketing and promotional strategies, including publication of free supplements, competitive advertising packages and various circulation drives, were adopted by the overseas editions to capture readers and advertising customers. With well established foundations and a strong management team, the Group's two editions managed to dominate their peers with an impressive growth in combined turnover and maintained satisfactory performance.

Both New York and San Francisco editions recorded growth in revenues during the year. However, due to rising newsprint and production costs, the operations have yet to break-even. In the coming year, more measures such as adding experienced senior executives to the management team will be taken to strengthen and to streamline the operations in order to improve the operating results of these editions. With a large Chinese population in the United States, the Group is confident that the prospects of these two editions shall remain promising.

**Mingpao.com**

With the growing usage of online information services, mingpao.com, the Group's Internet portal, has seen its registered active users grow to more than 700,000 and enjoyed a steady growth in revenues. During the year, mingpao.com launched two new portals, namely "life.mingpao.com" and "lifestyle.mingpao.com" which targeted at students and young web users. Response to the new portals has been enthusiastic. The Group's cross-media strategy to combine advertising sales forces of both the Daily and mingpao.com has also contributed to the strong growth in the Internet's revenues and operating profit.

With a new generation of readers who are increasingly reliant on digital information and the growing acceptance of Internet commerce, the Group will continue to make further investment in producing quality online information services to strengthen its position in the Internet industry.

**Publications under OMG**

For the year ended 31st March 2006, the turnover of OMG and its subsidiaries increased by 6% to HK$188 million when compared to the last financial year and profit after income tax decreased by 69% to HK$7 million. The drop in profit was due primarily to additional resources allocated during the year for the marketing and promotion of two new lifestyle magazines in Mainland China, namely, "MING"《青春之星》and "Rolling Stone"《音像世界》. The addition of magazines such as these to the existing portfolio of titles served to bring OMG's operation in Mainland China to the next level and to capitalise on the infrastructure that it has strategically engineered in preparation for future growth.

Currently, OMG is actively seeking acquisition opportunities in Mainland China and Hong Kong and to partner with additional international publishers to expand its portfolio of magazines.

**Ming Pao Monthly**

Ming Pao Monthly commemorated its 40th anniversary this year with a series of celebration events, including hosting a grand gala dinner and co-organising a forum on "Achieving Neutral Ground in the Cultural Arena 價值中立的文化空間" with the Hong Kong Baptist University. The events were attended by distinguished guests and renowned writers.

In the coming year, Ming Pao Monthly will continue to explore new distribution channels to expand its readership, with particular emphasis on schools and universities in Hong Kong and Mainland China.

**Yazhou Zhoukan**

Yazhou Zhoukan is an authoritative Chinese current events weekly and is well acclaimed for its outstanding editorials. It is an international Chinese-language newsweekly with a broad coverage of current economic and international issues and it has subscribers in all major cities in the South East Asia Region. In the year under review, Yazhou Zhoukan has organised and jointly sponsored a number of economic and trade forums which were well received. Yazhou Zhoukan became a wholly-owned subsidiary after the Group concluded the acquisition of its 50% equity interest from TOM Group Limited effective from January 2006.

**Ming Pao Publications/Crystal Window Publications/Ming Man Publications**

To celebrate its 20th anniversary, our publishing houses re-published a book-lovers' collection, including "Wesley Scientific Fiction Series"《衛斯理故事珍藏版》, the 2005 best-seller "On the Road towards Enlightenment, a Walker"《哲道行者》, and "Six Speeches on Wits of Life"《心通識六講》. Together with the books published under Ming Man Publications which is a channel to aspiring writers for publishing their work, over 180 titles were published and a double-digit growth on revenue was achieved during the year.

Looking ahead, our publishing houses will continue to publish high quality books and educational publications on a broad range of practical and general interest topics targeting at young readers.

**BUSINESS SEGMENT RESULTS REVIEW – TRAVEL AND TRAVEL RELATED SERVICES**

**Charming Holidays and Delta Group**

Turnover and results of the Group's travel business segment improved by 8% and 47% respectively when compared to those of last year. The improvement was mainly attributable to the continued growth in global economy which resulted in growing business and consumer confidence and increases in both leisure and business travelling. Introduction of quality services and new tour packages also contributed to the improvement in revenues and results of this business segment.

The growth was particularly impressive for the Group's tour operations in the United States which reported a 29% increase in turnover during the year due to the strong American economy. Innovative tour packages and new sightseeing spots designed by the Group's tour operator, Charming Holidays, have also contributed to these good results. In addition to its strength in long-haul tours, Charming Holidays has diversified its business to provide study tour programs and commercial group tours which were well received by the customers. However, profit margin of the travel business remains thin due to increasing labour costs, intense price wars amongst local travel agents and competition from discounted airfares offered by airlines.

Going forward, the Group's focus will be on formulating alternatives that can provide the best value on price and service for the travellers. Besides that, Charming Holidays will allocate resources to develop its tour business in the vast and fast growing China market. It plans to start an office in Southern China and work with local tour operators in order to expand its reach in the local market.

**OUTLOOK**

It is anticipated that the sustained improving global economy and advertising markets will fuel the Group's growth in the coming year. The Group will focus on providing better products and services for its advertisers and customers in order to expand our market share and readership base. With Internet usage growing at an unstoppable rate, the Group will continue to develop the electronic editions of its publications and to increase revenues from its online businesses. It also plans to continue to invest in Mainland China through OMG to take advantage of the fast growing Chinese-language lifestyle magazine market there.

At the same time, keen competition in the publication industry and the rising costs are challenging factors for the Group to overcome. The management will continue to assess the Group's operations and to explore opportunities with the aim to optimise efficiency and productivity in order for the Group to remain competitive in the global market.

**EMPLOYEES**

As at 31st March 2006, the Group has approximately 1,600 employees (31st March 2005: approximately 1,470 employees), the majority of whom are employed in Hong Kong. The Group remunerates its employees based on industry practice and performance of individual employees. The Group also adopts share option schemes for its staff of senior grade.

**CLOSURE OF THE REGISTER OF MEMBERS**

The register of members will be closed from Monday, 4th September 2006, to Friday, 8th September 2006, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend of HK4 cents per ordinary share, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 1st September 2006.

**EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

The Group's revenues and costs are mainly denominated in HK dollars, Canadian dollars, US dollars and RMB. Since HK dollars is pegged to the US dollars and the RMB is pegged to a basket of foreign currencies, the Group does not foresee any substantial exposure to US dollars and RMB in this regard.

The Group's entities in Canada are not exposed to material foreign currency risks as all their major transactions and costs are denominated in Canadian dollars, the functional currency in which these entities operate.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

During the year, the Company repurchased a total of 1,201,000 of its listed shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the purpose of enhancing the net asset value per share of the Company. Details of the repurchases are summarised as follows:

| Month/Year | Number of shares repurchased | Purchase price per share Highest | Purchase price per share Lowest | Aggregate purchase consideration |
|---|---|---|---|---|
| | | *HK$* | *HK$* | *HK$* |
| July 2005 | 413,000 | 1.75 | 1.60 | 699,433 |
| August 2005 | 153,000 | 1.62 | 1.58 | 243,750 |
| September 2005 | 40,000 | 1.59 | 1.57 | 62,912 |
| October 2005 | 330,000 | 1.50 | 1.40 | 478,480 |
| January 2006 | 177,000 | 1.40 | 1.33 | 240,521 |
| February 2006 | 30,000 | 1.40 | 1.38 | 41,480 |
| March 2006 | 58,000 | 1.40 | 1.35 | 81,050 |
| | 1,201,000 | | | 1,847,626 |

All the repurchased shares were cancelled during the year. Accordingly, the issued share capital of the Company was reduced by the par value of the repurchased shares and the premiums paid on these shares were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained profits to the capital redemption reserve.

On 20th March 2006, the Company entered into a sale and purchase agreement relating to the acquisition of 50% issued share capital of Yazhou Zhoukan Holdings Limited from Energetic Assets Limited, a wholly-owned subsidiary of TOM Group Limited at a consideration of HK$16.2 million. The consideration was satisfied by the issue and allotment of 12,000,000 ordinary shares of the Company at an issued price of HK$1.35 per share.

Save as disclosed above, neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year.

**CORPORATE GOVERNANCE**

Sound corporate governance is crucial to the smooth, effective and transparent operation of a company and its ability to attract investment, protect rights of shareholders and stakeholders, and enhance shareholder value. The Company has always attached great importance to corporate governance so as to ensure its sustainable development.

The Company adopted all the code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange as its own code on corporate governance practices.

During the year, the Company has met the code provisions (those which became effective for accounting periods beginning on or after 1st January 2005) as set out in the Code except for the code provision A.2.1 that the roles of the chairman and the chief executive officer ("CEO") should be separate and should not be performed by the same individual.

The board of the Company has on 13th December 2005 approved and adopted a memorandum relating to the division of responsibilities between the chairman and the CEO and appointed Mr. TIONG Kiew Chiong as the CEO of the Company.

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

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. All directors of the Company have confirmed, following specific enquiry by the Company, their compliance with the required standard as set out in the Model Code during the year.

**REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed with management the audited consolidated financial statements for the year ended 31st March 2006, including accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

By Order of the Board
**TIONG Kiew Chiong**
*Director*

Hong Kong, 30th June 2006

*As at the date of this announcement, Tan Sri Datuk TIONG Hiew King, Mr. TIONG Kiu King, Dr. TIONG Ik King and Mr. TIONG Kiew Chiong are executive directors of the Company. Mr. TANG Ying Yu, Mr. David YU Hon To and Mr. Victor YANG are independent non-executive directors of the Company.*

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