MING PAO ENTERPRISE CORPORATION LIMITED
明報企業有限公司

(股份代號 Stock Code:685)

連繫華人
環球媒體

二零零七年年報
Annual Report 2007

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Corporate Information

EXECUTIVE DIRECTORS

Tan Sri Datuk TIONG Hiew King *(Chairman)*
Mr TIONG Kiu King
Dr TIONG Ik King
Mr TIONG Kiew Chiong *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr TANG Ying Yu
Mr David YU Hon To
Mr Victor YANG

AUDIT COMMITTEE

Mr David YU Hon To *(Chairman)*
Mr TANG Ying Yu
Mr Victor YANG

REMUNERATION COMMITTEE

Mr David YU Hon To *(Chairman)*
Mr TANG Ying Yu
Mr Victor YANG
Mr TIONG Kiew Chiong

NOMINATION COMMITTEE

Mr Victor YANG *(Chairman)*
Mr TANG Ying Yu
Mr David YU Hon To
Mr TIONG Kiew Chiong

COMPANY SECRETARY

Ms LAW Yuk Kuen

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited

AUDITOR

PricewaterhouseCoopers

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

15th Floor, Block A
Ming Pao Industrial Centre
18 Ka Yip Street, Chai Wan
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

STOCK CODE

685

WEBSITE

http://www.mingpao.com

Group's Principal Activities

Hong Kong

- Ming Pao Daily News
- Mingpao.com
- Ming Pao Monthly
- Yazhou Zhoukan
- Ming Pao Publications/ Crystal Window Books/ Ming Man Publications
- Ming Pao Weekly
- Hi-Tech Weekly
- City Children's Weekly
- Charming Holidays
- Kin Ming Printing

China

- MING 明日風尚
- Popular Science 科技新時代
- Top Gear 汽車測試報告
- Guangzhou Kin Ming Printing

Canada

- Ming Pao Daily News - Toronto Edition
- Ming Pao Daily News - Vancouver Edition
- Delta Tour & Travel Services (Canada)

USA

- Ming Pao Daily News - New York Edition
- Ming Pao Daily News - San Francisco Edition
- MP Printing
- Delta Tour & Travel Services (USA)

Newspapers, Internet and Printing

Cultural and Current Affairs Magazines and Book Publications

Travel and Travel Related Services

Lifestyle Magazines - One Media Group Limited*

* One Media Group Limited is a subsidiary of the Company whose shares were listed on The Stock Exchange of Hong Kong Limited on 18th October 2005. One Media Group Limited currently operates the lifestyle magazine business of the Group.

"The groundbreaking merger proposal will create one of the largest and strongest global Chinese language media platforms serving the Chinese readers and communities around the world."

Tan Sri Datuk TIONG Hiew King
Chairman

Dear Shareholders,

I take great pleasure in presenting the annual results of Ming Pao Enterprise Corporation Limited (the "Company") and its subsidiaries for the fiscal year ended 31st March 2007. Looking ahead, I would also like to share with you our vision in becoming a leading global Chinese language media content provider in the multimedia era.

"A TRULY GLOBAL CHINESE LANGUAGE MEDIA PLATFORM"

The year is highlighted by the groundbreaking merger proposal between the Company, Sin Chew Media Corporation Berhad ("Sin Chew") and Nanyang Press Holdings Berhad ("Nanyang Press"). Sin Chew publishes two Chinese daily newspapers, namely, *Sin Chew Daily* and *Guang Ming Daily*, the largest and the third largest Chinese daily newspaper respectively in Malaysia. Nanyang Press currently operates the largest Chinese language magazine group in Malaysia and publishes two Chinese daily newspapers, namely, *China Press* and *Nanyang Siang Pau*, the second largest and the fourth largest Chinese daily newspaper respectively in Malaysia.

Together, these highly reputable publishers will merge to create one of the largest and strongest global Chinese language media platforms serving the Chinese readers and communities around the world, and the first company to be simultaneously and primarily listed on the main board of both The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Bursa Malaysia Securities Berhad. Upon the completion of the merger, our operation will be expanded further in Southeast Asia and the Group will gain access to 5 daily newspapers in 15 editions circulated in key cities spanning across North America, Southeast Asia, and the Greater China region with a total circulation of more than 1 million copies a day. The number of magazine titles in the Group's combined portfolio will approach 30, which are mainly circulated in Malaysia, Hong Kong, and Mainland China.

"A MULTIMEDIA ERA"

Contents of newspapers and magazines are traditionally structured to serve local interest with geographically-specific content. This has since evolved along with the rapid development of information technology and globalisation. In this new era, communication is no longer confined by geographic or national borders. People can choose where and when to retrieve information, which can be tailor-made to suit their particular preferences, anywhere in the world. With the convergence of written, audio and visual records, we have been inspired to even more proactively explore new ways to provide high quality Chinese language content in a format that would suit the new generation of readers.

Another trait of the modern reader is their general tendency to spend less time reading while at the same time demand information on a broader spectrum of topics. We will look beyond the traditional framework and geographic boundaries and develop innovative strategies to serve an ever-expanding global Chinese community. This proposed merger will unlock the intrinsic value of our newspapers and magazines, as two of the most important content providers in the media industry.

"A BIGGER, BETTER, BRIGHTER FUTURE"

In addition to enhancing the operational synergies, taking the Group's business from "local to global", the proposed merger will also strengthen the Group's content production capability as well as its distribution network. Such a global platform will give the Group a competitive advantage over its competitors in terms of scale and coverage. We are confident that the Company's growth prospects will be translated into growth in revenue and profits through a broader range of services, creating even better returns for our shareholders.

In considering the legacy of the Company, I would attribute our achievements thus far to the hard work, dedication, professionalism and passion of our staff in their respective lines of duties. Furthermore, I am also very grateful for the confidence and support from our readers, customers, partners and shareholders in the past year. Going forward, we will expand the scale of our operation in a more aggressive yet strategic manner, from print media to include multimedia Chinese language content. As both the Chinese culture and language are gaining popularity around the world, we anticipate even brighter prospects for the Group upon the completion of the merger.

Tan Sri Datuk TIONG Hiew King
Chairman
Hong Kong, 13th July 2007

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

	2007	2006	Change
	HK$'000	HK$'000	%
Revenue	1,378,964	1,248,623	+10
Gross profit	374,994	337,609	+11
Operating profit	35,048	85,775	–59
Operating profit (excluding the one-off gain)	35,048	24,819	+41
Profit attributable to the Company's equity holders	23,705	68,644	–65
Basic earnings per share	HK6 cents	HK17 cents	– HK11 cents

The Group reported a growth of HK$130,341,000 or 10% in consolidated turnover over the previous year, primarily attributable to the growth in advertising income and revenues from the Group's tour business. Gross profit also increased at about the same rate, by 11%, to HK$374,994,000. Operating profit for the year was HK$35,048,000, which was 59% less than last year's operating profit of HK$85,775,000. Profit attributable to the Company's equity holders for the year amounted to HK$23,705,000 (2006: HK$68,644,000) while earnings per share was HK6 cents (2006: HK17 cents).

Last year's operating profit included a one-off gain of HK$60,956,000 from the disposal of part of the Group's stake in One Media Group Limited ("OMG"). Excluding the effect of this gain, the Group's operating profit from normal operations would have increased by 41% from HK$24,819,000 to HK$35,048,000 while profit attributable to the Company's equity holders for the year would have increased by 208% from HK$7,688,000 to HK$23,705,000.

On 23rd April 2007, the Company entered into a merger agreement in relation to a proposed merger (the "Proposed Merger") with two leading Chinese language newspaper publishers, Sin Chew and Nanyang Press. After the completion of the Proposed Merger, the merged entity will become the first to be dually-listed on the Stock Exchange and Bursa Malaysia Securities Berhad. Details of the Proposed Merger were included in a circular dated 9th June 2007 to the shareholders of the Company. At a special general meeting of the Company held on 27th June 2007, the Proposed Merger was duly approved by the shareholders of the Company.

SEGMENTAL REVIEW

PUBLISHING

Hong Kong

During the year, the turnover from our Hong Kong publishing operations, including *Ming Pao Daily News*, *Ming Pao Weekly* and other publications, has achieved a growth of 4% to HK$574,373,000. Excluding the one-off gain from the disposal of partial equity interests in OMG in last year, the operating profit from this segment during the year under review increased by 9% to HK$72,559,000.

During the year, we have continued to enhance the content in our Hong Kong newspaper flagship, *Ming Pao Daily News*, with the revamp of the classified sections targeting the booming labour market and real estate market. We have also enriched our financial news coverage in response to an active equities market, having established the "MP Investor Club" which has already well over 100,000 members registered within a few months since its launch. We have also introduced more event-based campaigns to compliment our clients' response-driven marketing strategies. While the industry landscape in Hong Kong has remained competitive, circulation copies of *Ming Pao Daily News* remained stable, reiterating the newspaper's prominent position in Hong Kong.

Web traffic of mingpao.com has continued to grow during the year and the website has now close to 800,000 registered active users. Besides instant general news, mingpao.com also provides a wide range of information to its readers, including health, education and recruitment. The increasing popularity of mingpao.com as an advertising medium has enabled the Group to increase its income from advertising sales, content sales, and service subscription. Our cross-media strategy to combine advertising sales of both *Ming Pao Daily News* and mingpao.com has led to satisfactory growth in both the Internet revenues and operating profit.

Ming Pao Weekly, the Group's premier entertainment/celebrity/fashion title, recorded the highest advertising revenue in its 39-year history. With the distribution of both the Compact and the Classic editions of the magazine stable a year after the introduction of the former, it is poised to enjoy unprecedented successes. For the fifth consecutive year, *Ming Pao Weekly* garnered a number of awards given by the Society of Publishers in Asia, showing its recognised outstanding editorial quality in the industry.

In November 2006, the eMag version of *Hi-Tech Weekly* was launched, allowing the magazine's cyber-savvy readers to subscribe to a purely digital version of the title over the Internet. It is anticipated that this innovative format will broaden the Group's reach to readers as well as advertisers.

Yazhou Zhoukan has become a wholly-owned publication of the Group with effect from 1st January 2006 through the Group's repurchase of its 50% equity interest from TOM Group Limited. Performance of *Yazhou Zhoukan* has continued to improve, gaining greater recognition amongst the academic arena.

Ming Pao Monthly celebrated its 40th anniversary this year, maintaining its unwavered position as a respected and quality publication. During the year, we have lined up well-acclaimed writers to contribute to the publication and the article "Ground One: Voices from post-9/11 Chinatown" has won the First Place of "Best Investigative/In-depth Story" award from The Independent Press Association's Ippies Awards in 2006.

Our publishing house, Ming Pao Publications, has published over 140 new titles during the year, including a book from the "Recommended Titles from the 2006 Hong Kong Book Fair", as well as nurtured several promising new writers to cater to the younger readers. The Group will continue to publish high quality books and develop a series of educational publications on a broad range of practical, general interest topics targeting young readers.

North America

Revenue from our North American publishing operations improved by about 3% mainly driven by revenue growth in Canada. With our aggressive marketing strategies, including publication of free supplements, competitive advertising packages and various circulation drives, the Canadian editions have out-competed their peers with an impressive growth in combined turnover and maintained encouraging performance. In addition, the strong Canadian economy has led to the strong growth in revenue. The two Canadian editions have continued to seize a larger share of the market as advertisers have increased their spendings on the back of a strong economy. Due to intense competition in the local market, the Group's publishing operations in the US experienced a 13% drop in revenues. The operating results, however, remain at the same level as last year's as a result of the restructuring process that has taken place in the US operations since April 2006. The management will continue to closely monitor the US operations.

China (via OMG)

During the year, the subsidiaries of OMG engaged in the business of selling advertising space in and providing content to magazines in Mainland China, including *Popular Science*, *T3*, *Top Gear*, *MING* and *Rolling Stone*. These titles together contributed a total revenue of approximately HK$39,843,000 to the Group, representing a 148% increase when compared to last year. OMG's operations in the PRC reported an operating loss of HK$14,875,000 for the year (2006: HK$14,959,000) as a result of the initial start-up costs relating to *MING* and *Rolling Stone* and increasing competitive pressure in the technology publishing sector.

While *Top Gear* and *MING* recorded a satisfactory growth on advertising and distribution revenues, *T3* and *Rolling Stone* did not achieve the same levels of success. The Group has made the difficult business decision to discontinue the operation of these two magazines. It is expected that this move will add to overall profitability while freeing up resources to focus on further developing current titles and seeking new additions to OMG's portfolio.

TRAVEL AND TRAVEL RELATED SERVICES

Revenue from the Group's tour companies, Charming Holidays and Delta Group, reported a satisfactory growth of about 19% to a total of HK$498,530,000 during the year. Innovative tour packages and the introduction of new sightseeing spots have proved to be very successful. 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 and have contributed steady tour revenue for the Group. Bundled tour packages targeting at overseas Chinese travellers to Mainland China have been launched during the year. These packages are well received by the market and will be a key marketing focus in the future.

However, apart from the rising labour costs, the tour business also faced upward pressures on tour costs which were due primarily to the appreciation of foreign currencies especially Euro dollars during the year, resulting in a drop in operating margins despite the improvement in turnover.

COMMUNITY SERVICES

SCHOOL ACTIVITIES

The "School Reporters Scheme" entered into its 10th year since its establishment by *Ming Pao Daily News* in 1997. The scheme provides hands-on training to students on basic journalism knowledge and skills, and is being recognised and acknowledged by local secondary schools and teachers as one of the most educational extra curricular activities for the students.

READERS' DONATIONS

For the 4th year, *Ming Pao Daily News* joined forces with a number of local educational groups to co-organise the "Guangdong Province Remote Area Education Relief Fund" to support the development of education in remote and deprived areas in Guangdong Province. During the year, approximately HK$1.1 million were raised and donated to 10 schools in hill areas.

OUTLOOK

The management believes that the improving global economy and strong advertising markets would benefit the Group's growth in the coming year. In addition, the Group will continuously improve the editorial content and enhance the quality of the layout design of its respective publications to meet the changing demand of the readers.

The Group will also focus on providing better products and services for its advertisers and customers in order to expand its market share and readership base. The Group plans to expand by focusing on a particular content niche in the Mainland China market given its vast potential and relatively early stage of development of its lifestyle magazine sector.

Upon the completion of the Proposed Merger with Sin Chew and Nanyang Press, starting with the initial combined portfolio of 5 daily newspapers in 15 editions that are currently circulated in North America, Southeast Asia, and the Greater China region, the Group will strengthen and expand its content production capability from print into other multimedia formats.

The Proposed Merger is merely a starting point for the Group to embark on even greater achievements to penetrate different Chinese language communities around the world, to provide a broader range of services and proactively explore new ways to provide high quality Chinese language content in a format that would suit the new generation of readers, riding on top of the trend of the convergence of the written, audio and visual records.

The management believes that the enlarged group would achieve higher profitability in the years ahead through more effectively utilising the resources and network of the respective entities, maximizing the operational synergies of the merged platform, and leveraging on each others' unique competitive advantages.

FINANCIAL GUARANTEES

The financial guarantees of the Group as at 31st March 2007 are set out in note 35 to the consolidated financial statements.

PLEDGE OF ASSETS

The details of the pledge of the Group's assets are set out in note 30 to the consolidated financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's financial management policies and practices relating to the exposure to fluctuations in exchange rates are described in note 3(c) to the consolidated financial statements.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31st March 2007, the Group's net current assets amounted to HK$345 million (31st March 2006: HK$385 million) and the shareholders' funds were HK$631 million (31st March 2006: HK$633 million). Total bank borrowings and finance lease obligations were HK$37 million (31st March 2006: HK$58 million) and the gearing ratio, which is defined as the ratio of total borrowings to shareholders' funds, was 0.059 (31st March 2006: 0.091). As at 31st March 2007, total cash balance was HK$278 million (31st March 2006: HK$309 million) and net cash position was HK$240 million (31st March 2006: HK$251 million) after deducting the total borrowings.

CAPITAL STRUCTURE

During the year, the Company repurchased a total of 931,000 shares at an aggregate purchase consideration of HK$1.3 million and 83,000 shares and 53,000 shares were issued at HK$1.592 per share and HK$1.32 per share respectively as a result of the exercise of the Company's share options. Details of the repurchases and issue of shares are set out in note 25 to the consolidated financial statements.

EMPLOYEES AND EMOLUMENT POLICY

As at 31st March 2007, the Group has approximately 1,550 employees (31st March 2006: approximately 1,600 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 emoluments of the directors and senior management are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his associates, and executive is involved in dealing his own remuneration. The Group has share option schemes as an incentive to directors and eligible employees, details of the share option schemes are set out on pages 19 to 23 of the Report of the Directors.

Major Awards of the Year

The Scoop Award
- Ming Pao Daily News

Excellence in Opinion Writing (Honorable Mention)
- Ming Pao Daily News

Excellence in Opinion Writing
- Yazhou Zhoukan

Excellence in Feature Writing (Honorable Mention)
- Yazhou Zhoukan

Excellence in Human Rights Reporting (Honorable Mention)
- Yazhou Zhoukan

Excellence in Magazine Front Cover Design (Honorable Mention)
- Yazhou Zhoukan

Excellence in News Photography (Honorable Mention)
- Ming Pao Monthly

Excellence in Human Rights Reporting (Winner)
- Ming Pao Weekly

Excellence in Feature Photography (Winner)
- Ming Pao Weekly

Excellence in Magazine Front Cover Design (Winner)
- Ming Pao Weekly

Excellence in Reporting on the Environment (Honorable Mention)
- Ming Pao Weekly

Excellence in Public Service Journalism (Honorable Mention)
- Ming Pao Weekly

2007 Awards For Editorial Excellence

Hong Kong News Awards 2006

Best News Reporting
- 1st Runner-up

Best Photographic Section (Features)
- 1st Runner-up

Best Photographic Section (Sport)
- 1st Runner-up

Best News Page Design
- Merit

Ifra Asia Media Awards 2007

Best in Newspaper Supplement Award
- Gold Award

Best in Magazine Cover Design
- Gold Award

Redesigns
- 2 Awards of Excellence

Magazines - Special Editions
- Award of Excellence

The 28th Best of Newspaper Design Creative Competition

Features - Gold Award, 2 Merits

Press Photo - Gold Award, Silver Award, Bronze Award, 2 Merits

News - Silver Award, 3 Merits

Consumer Rights Reporting Awards 2006

The Best Investigative/ In-depth Story
- 1st Place - Ming Pao Monthly

Ippies Awards 2006

The Eleventh Annual Human Rights Press Awards

General News - 1st Prize, Merit
Newspaper - **Feature** - Merit
Photojournalism - Merit
Magazines - 1st Prize (Ming Pao Weekly)

Focus at the Frontline 2006

Spot News
- Winner

General News
- Winner

Photo Essay
- Winner (Ming Pao Weekly)

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MING PAO ENTERPRISE CORPORATION LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Ming Pao Enterprise Corporation Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 119, which comprise the consolidated and Company balance sheets as of 31st March 2007, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

AUDITOR'S RESPONSIBILITY *(Continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Group as of 31st March 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13th July 2007

CORPORATE GOVERNANCE PRACTICES

Good corporate governance practices are crucial to the smooth and effective operation of a company and its ability to attract investment and protect shareholders' interest. The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasising transparency, independence, accountability, responsibility and fairness.

On 1st January 2005, the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules became effective. The Company has adopted all the code provisions in the Code as its own code on corporate governance practices. During the year under review, the Company has met the code provisions as set out in the Code.

CONDUCT ON SHARE DEALINGS

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.

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

THE BOARD OF DIRECTORS

COMPOSITION AND FUNCTION

The Board comprises seven directors, of which four are executive directors ("Executive Directors") and the remaining three are independent non-executive directors ("INEDs"). As at 31st March 2007, the directors were:

Name of director	**Title**
Executive Directors	
Tan Sri Datuk TIONG Hiew King	Chairman
Mr TIONG Kiu King	Executive Director
Dr TIONG Ik King	Executive Director
Mr TIONG Kiew Chiong	Chief Executive Officer ("CEO")
INEDs	
Mr TANG Ying Yu	INED
Mr David YU Hon To	INED
Mr Victor YANG	INED

The biographies of each of the directors are set out on pages 16 to 17 of this Annual Report. Pursuant to the written guidelines adopted by the Company, specific matters are reserved to the Board for its decision and certain matters are delegated to the senior management.

THE BOARD OF DIRECTORS *(Continued)*

COMPOSITION AND FUNCTION *(Continued)*

The Board is responsible for, inter alia:

(a) reviewing and approving the strategic direction of the Group which has been established by the Executive Directors in conjunction with the senior management;
(b) reviewing and approving objectives, strategies and business development plans set by the executive committee of the Company ("Executive Committee");
(c) monitoring the performance of the CEO and the senior management;
(d) assuming responsibility for corporate governance;
(e) approving the nominations of directors; and
(f) reviewing the effectiveness of the internal control system of the Group.

The senior management and the Executive Committee, under the leadership of the CEO, are responsible for:

(a) formulating strategies and business development plans, submitting the same to the Board for approval and implementing such strategies and business development plans thereafter;
(b) submitting reports on the Group's operations to the Board on a regular basis;
(c) reviewing annual budgets and submitting the same to the Board for approval;
(d) reviewing salary increment proposal and remuneration policy and submitting the same to the Board for approval; and
(e) assisting the Board in conducting the review of the effectiveness of the internal control system of the Group.

The Board has also formulated written guidelines determining which matters require a decision of the full board and which of the executive board.

INDEPENDENCE OF INEDS

Pursuant to the requirements of the Listing Rules, the Company has received annual written confirmations from each INED of his independence to the Group and the Company considered all INEDs to be independent.

PROCEEDINGS AND RETIREMENT OF DIRECTORS

In accordance with the bye-laws of the Company, subject to the manner of retirement by rotation of directors as from time to time prescribed under the Listing Rules and notwithstanding any contractual or other terms on which any director may be appointed or engaged, at each annual general meeting, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

All three INEDs are appointed for a term of two years and three months commencing from 1st January 2006 until 31st March 2008, and are subject to retirement and re-election by rotation at the annual general meeting under the Company's bye-laws.

All directors have access to board papers and related materials, and are provided with adequate information on a timely manner. The directors may, if necessary, seek legal or other independent professional advice at the expense of the Company pursuant to a written guideline adopted by the Board. In respect of regular board meetings or committee meetings, the agenda is sent out to the directors at least fourteen days before the meeting and the accompanying papers are sent at least three days before the intended date of meeting for information.

DIRECTORS' RESPONSIBILITIES

In relation to the financial reporting, all directors acknowledge their responsibilities for preparing the financial statements of the Group. The Group has appropriate insurance in place to cover the liabilities of the directors and senior management of the Group.

GOVERNANCE STRUCTURE

As an integral part of good corporate governance, the Board has established the following committees. The authorities, functions, composition and duties of each of the committees are set out below:

1 EXECUTIVE COMMITTEE

The Executive Committee comprises Mr TIONG Kiu King, Mr TIONG Kiew Chiong, Mr ONG See Boon (Group Editorial Director and Special Assistant to the Chairman), Mr CHEUNG Kin Bor (Chief Editor of *Ming Pao Daily News*) and Mr Keith KAM Woon Ting (Chief Operating Officer of Ming Pao Holdings Limited and Mingpao.com Limited).

The Executive Committee is the decision-making body for day-to-day operation and its main duties include performing duties delegated by the Board and exercising the authorities and rights authorised by the same pursuant to written guidelines.

2 REMUNERATION COMMITTEE

The Remuneration Committee was established on 25th May 2005 with specific terms of reference that specify its authorities and duties. The Remuneration Committee has four members, namely, Mr TANG Ying Yu, Mr David YU Hon To, Mr Victor YANG and Mr TIONG Kiew Chiong. Except for Mr TIONG Kiew Chiong, the rest are all INEDs and Mr David YU Hon To is the chairman of the Remuneration Committee.

The functions of the Remuneration Committee include, among other things, making recommendations to the Board on the Company's policy and structure for remuneration of the directors and senior management; establishing a formal and transparent procedure for developing policy on remuneration; and determining specific remuneration packages for the directors and senior management.

The remuneration of all the directors and their respective interest in share options are set out in note 14 to the consolidated financial statements and under the "Share option schemes" paragraph in the Report of the Directors of this Annual Report.

The Remuneration Committee held two meetings during the year to review the policies and structure for the remuneration of the Company's directors and senior management and offer advice on the same to the Board.

3 NOMINATION COMMITTEE

The Nomination Committee was established on 25th May 2005 with specific terms of reference that specify its authorities and duties. The Nomination Committee has four members, namely, Mr TANG Ying Yu, Mr David YU Hon To, Mr Victor YANG and Mr TIONG Kiew Chiong. Except for Mr TIONG Kiew Chiong, the rest are all INEDs and Mr Victor YANG is the chairman of the Nomination Committee.

The functions of the Nomination Committee include, among other things, making recommendations to the Board on the Group's nomination policy and procedures and recommending candidates for directorship.

Since the establishment of the Nomination Committee, it has reviewed the structure, size and composition of the Board and made recommendation on the same to the Board. During the year ended 31st March 2007, no new directors were nominated and no Nomination Committee meeting was held.

GOVERNANCE STRUCTURE *(Continued)*

4 AUDIT COMMITTEE

The Audit Committee has been established since 1999 with specific terms of reference that specify its authorities and duties. The Audit Committee is composed of the three INEDs, namely, Mr TANG Ying Yu, Mr David YU Hon To and Mr Victor YANG. Mr David YU Hon To is the chairman of the Audit Committee.

The functions of the Audit Committee include, among other things, overseeing the relationship with the Company's external auditors; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors; reviewing the financial information of the Group including monitoring the integrity of the Group's financial statements, annual reports, interim reports and reviewing significant financial reporting judgements contained therein; and overseeing the Group's financial reporting system and internal control procedures.

The Audit Committee has met regularly and held three meetings during the year with the management and the external auditors, and reviewed audited financial statements for the year ended 31st March 2007; interim report for the six months ended 30th September 2006; external auditors' audit plan; and report from the external auditors on the audit of the Group's financial statements. In addition, the Audit Committee has made recommendation to the Board on the re-appointment of the external auditors; and the appointment of an external accounting firm to assist the Group in conducting the review and evaluation of the internal control system of the Group.

NUMBER OF MEETINGS AND ATTENDANCE RATE

The following shows the number of regular board meetings and committee meetings held during the year as well as the attendance rate of each director.

Attendance rate

Name of director	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee *(note)*
Tan Sri Datuk TIONG Hiew King	4/5	N/A	N/A	N/A
Mr TIONG Kiu King	5/5	N/A	N/A	N/A
Dr TIONG Ik King	4/5	N/A	N/A	N/A
Mr TIONG Kiew Chiong	5/5	N/A	2/2	–
Mr TANG Ying Yu	3/5	2/3	1/2	–
Mr David YU Hon To	5/5	3/3	2/2	–
Mr Victor YANG	5/5	3/3	2/2	–

Note: During the year ended 31st March 2007, no directors were nominated and no Nomination Committee Meeting was held.

THE DIVISION OF RESPONSIBILITIES BETWEEN THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

With a view to maintaining an effective segregation of duties, the positions of Chairman and CEO are held by different persons and each plays a distinctive role. The Chairman is mainly responsible for the leadership and effective operation of the Board and ensuring that all key and appropriate issues are discussed by the Board in a timely and constructive manner, and the CEO is delegated with the authority and is mainly responsible for operating the Group's business and implementing the approved strategies in achieving the corporate objectives.

EXTERNAL AUDITOR

PricewaterhouseCoopers was appointed as the Group's external auditor for the year ended 31st March 2007. During the year, PricewaterhouseCoopers provided the following audit and non-audit services to the Group:

	2007
	HK$'000
Annual audit and interim review services	**2,956**
Other audit services	**1,240**
Non-audit services *(note)*	**851**
	5,047

Note: The fees related to the provision of tax services and other services in relation to the Group's overseas' operations.

PricewaterhouseCoopers will retire and offer themselves for re-appointment at the annual general meeting of the Company to be held in September 2007.

A statement by PricewaterhouseCoopers about the reporting responsibilities on the consolidated financial statements of the Group is set out in the Independent Auditor's Report section of this Annual Report on page 34.

SHAREHOLDERS' RIGHTS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include general meetings, interim and annual reports, announcements and circulars. Procedure for voting by poll has been included in the circulars of the Company accompanying notices convening general meetings and has been read out by the chairman at the general meetings held during the year ended 31st March 2007.

At the 2006 annual general meeting, a separate resolution was proposed by the chairman in respect of each separate issue, including re-election of directors. The respective chairman of the Board, Audit Committee and Remuneration Committee attended the 2006 annual general meeting to answer questions raised by the shareholders.

INTERNAL CONTROLS

It is the responsibility of the Board to ensure the Group maintains sound and effective internal controls to safeguard the shareholders' investments and the Group's assets. The Board has regularly conducted review on the internal control system of the Group and will take any necessary and appropriate action to maintain an adequate internal control system.

The Group's internal control framework covers (i) the setting of a defined management structure with limits of authority and clear lines of accountability; and (ii) the establishment of regular reporting of financial information. The relevant executive directors and senior management have been delegated with respective level of authorities. Yearly budgets of the Group are reviewed and approved by the Board. The relevant executive directors and senior management have specific responsibility for monitoring the performance of business operating units. Monthly financial reports have been provided to the executive directors. This helps the Board and the Group's management to monitor the Group's business operations and to plan on a prudent and timely basis.

At present, the Group has no in-house internal audit function but is in the process of establishing such in the near future. During the year, an independent international professional accounting firm was appointed by the Board to assist in conducting a review on the Group's systems of internal controls and to provide recommendations on areas of improvement.

The review, as decided by the management of the Group, covered the material controls on the Group's operations in Hong Kong including the financial, operational, compliance and risk management functions during the year ended 31st March 2007. The report of the review by the independent international professional accounting firm has been discussed and approved at the Audit Committee Meeting on 6th July 2007. The management and other relevant personnel have followed up or is following up the recommendations in the report in order to enhance internal control policies, procedures and practices. The Board considers that the internal control system of the Group has been implemented effectively.

1 GENERAL INFORMATION

Ming Pao Enterprise Corporation Limited (the "Company") is a limited liability company incorporated in Bermuda. The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

The Company is an investment holding company. The principal activities of its subsidiaries are the publication of Chinese newspapers, periodicals and books, and the provision of travel and travel related services. The Company as well as its subsidiaries are collectively referred to as the Group below.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 22nd March 1991.

The Group's consolidated financial statements up to 31st March 2006 had been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). Pursuant to the proposed merger between the Group, Sin Chew Media Corporation Berhad ("Sin Chew") and Nanyang Press Holdings Berhad ("Nanyang Press") (details of which please refer to the circular of the Company dated 9th June 2007), the Group decided to prepare its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") for the financial year ended 31st March 2007. The Group prepares its consolidated financial statements in accordance with IFRS with effect from this financial year and converted the comparative financial information for the year ended 31st March 2006 to be in accordance with IFRS.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 13th July 2007.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with IFRS. IFRS 1, First-time Adoption of International Financial Reporting Standards, has been applied in preparing these financial statements. These consolidated financial statements are the Group's first financial statements to be prepared in accordance with IFRS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) BASIS OF PREPARATION *(Continued)*

IFRS 1 sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish its IFRS accounting policies for the year ended 31st March 2007 and, in general, apply these retrospectively to determine the IFRS opening balance sheet at its date of transition, i.e. 1st April 2005. This standard provides a number of optional exemptions to this general principle. The exemptions adopted by the Group are set out below:

Fair value or revaluation as deemed cost

Certain freehold land and buildings were revalued by Vigers Hong Kong Limited and Royal LePage Appraisal & Consulting Services, independent international property consultants, on an open market value basis at 30th September 1995, and the Group has elected to adopt such revaluation at that date as deemed cost.

Business combinations

Business combinations that were recognised before the date of transition were not restated as the Group has elected not to apply IFRS 3 Business Combinations retrospectively to past business combinations that occurred prior to the date of transition to IFRSs.

Share-based compensation

The Group has elected not to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before 7th November 2002.

Designation of previously recognised financial instruments

The Group has made use of the exemption available under IFRS 1 to designate certain financial assets as available-for-sale financial assets and financial asset at fair value through profit or loss at the date of transition to IFRSs.

When preparing these consolidated financial statements, management has adopted certain accounting, valuation and consolidation methods to comply with IFRS. Accordingly, the consolidated financial statements prepared under HKFRS for the year ended 31st March 2006 have been adjusted to reflect those differences between HKFRS and IFRS. The conversion from HKFRS to IFRS did not result in material impact on the Group's cash flows while its impact on the Group's equity and its profit for the year is disclosed in note 39.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and available-for-sale financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) BASIS OF PREPARATION *(Continued)*

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

Standards, amendments and interpretations that are relevant for the Group's operation but not yet effective for the year ended 31st March 2007:

IFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1st January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any material impact on the classification and valuation of the Group's financial instruments.

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1st January 2009). IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The Group is in the process of making an assessment of the impact of this standard, but not yet in a position to state whether this standard would have a material impact on the classification and presentation of the Group's consolidated financial statements.

Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1st January 2007). The amendment introduces new disclosures for managing capital. This amendment does not have any material impact on the classification and presentation of the Group's consolidated financial statements.

IFRIC-Int 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1st May 2006). IFRIC-Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. IFRIC-Int 8 does not have any material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) BASIS OF PREPARATION *(Continued)*

Standards, amendments and interpretations that are relevant for the Group's operation but not yet effective for the year ended 31st March 2007: *(Continued)*

IFRIC-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June 2006). IFRIC-Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group's entities have not changed the terms of their contracts, IFRIC-Int 9 does not have any material impact on the Group's consolidated financial statements.

IFRIC-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006). IFRIC-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC-Int 10 from 1st April 2007, but it is not expected to have any significant impact on the Group's consolidated financial statements.

IFRIC-Int 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007). IFRIC-Int 11 requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity-instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments needed are obtained. IFRIC-Int 11 also provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. IFRIC-Int 11 is not expected to have a material impact on the Group's consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) GROUP ACCOUNTING

(i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31st March.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (note 2(c)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) GROUP ACCOUNTING

(ii) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the consolidated income statement as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) GROUP ACCOUNTING *(Continued)*

(ii) Foreign currency translation (Continued)

(c) Group companies *(Continued)*

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose (note 2(e)).

(ii) Others

Other intangible assets comprise archives, masthead and publishing right that are acquired by the Group and are stated in the balance sheet at cost less accumulated amortisation.

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Archives, masthead and publishing right	15 – 25 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) PROPERTY, PLANT AND EQUIPMENT

(i) Other properties

Other properties are interests in freehold land and buildings and are stated at cost.

Freehold land is not amortised. Freehold buildings are depreciated on a straight-line basis over their expected useful lives to the Group, and the principal annual rate used for this purpose is 2.5%.

Buildings, which are situated on leasehold land and held for own use, are stated at cost and are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rates range from 2% to 2.6%.

(ii) Other property, plant and equipment

Plant and equipment, comprising leasehold improvements, furniture, fixtures, office equipment, machinery, printing equipment and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	15% – 33.33% or over remaining period of leases
Furniture, fixtures and office equipment	10% – 33.33%
Machinery and printing equipment	6.67% – 33.33%
Motor vehicles	25%

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(e)).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement on the date of disposal.

(e) IMPAIRMENT OF INVESTMENTS IN SUBSIDIARIES AND NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) LEASES

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and long term liabilities. The interest element of the finance lease payments is recognised in the income statement over the lease periods so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) FINANCIAL ASSETS

The Group classifies its financial assets in the following categories at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. A financial asset with a maturity longer than one year at the inception date is classified as non-current. Derivatives are classified as held for trading unless they are designated as hedges. Changes in fair values (realised and unrealised) are recognised in the income statement.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (note 2(j)).

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets represented unlisted club debentures.

At each balance sheet date, the fair value of available-for-sale financial assets is remeasured, with any unrealised holding gains or losses arising from the changes in fair value being recognised directly in the available-for-sale financial assets reserve under equity, except for impairment losses. When the investments are derecognised or impaired, the cumulative gain or loss previously recognised directly in the equity is recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) FINANCIAL ASSETS *(Continued)*

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade and other receivables is described in note 2(j).

(h) INVENTORIES

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) EMPLOYEE BENEFITS

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

The expected cost of profit sharing and bonus plans is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by the employees and a reliable estimate of the obligation can be made. Liabilities for profit sharing and bonus plans are expected to be settled within 12 months of the balance sheet date and are measured at the amounts expected to be paid when they are settled.

(iii) Pension obligations

The Group operates a hybrid retirement benefit scheme (the "Scheme") and a Mandatory Provident Fund Scheme (the ''MPF Scheme") for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group companies and/or employees.

The Group's contributions to the defined benefit plans of the Scheme are made based on the periodic recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans of the Scheme and the MPF Scheme are expensed as incurred. The Group's contributions to the defined contribution plans of the Scheme are reduced by the Group's contributions forfeited by those employees who leave the plans prior to vesting fully in the Group's contributions. The Group has no further payment obligations once the contributions have been paid.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) EMPLOYEE BENEFITS *(Continued)*

(iii) Pension obligations (Continued)

The liability recognised in the balance sheet in respect of the defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for actuarial gains and losses and unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields of Hong Kong Government's Exchange Fund Notes which have similar terms as the terms of the related liabilities and that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recongised in full in the year in which they occur in the consolidated statement of recognised income and expense.

Past-service costs are recognised immediately in the consolidated income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(iv) Long service payments

The Group's net obligations in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date on Hong Kong Government's Exchange Fund Notes which have terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in full in the year in which they occur in the consolidated statement of recognised income and expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) EMPLOYEE BENEFITS *(Continued)*

(v) Share-based compensation

The Group operates share-based compensation schemes. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. The Group recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(j) TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution expenses in the income statement.

(k) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank deposits and bank overdrafts. Bank overdrafts are shown as current liabilities on the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

(m) REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of trade discounts, returns, rebates and value-added tax and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Advertising income, net of trade discounts, is recognised when the newspapers and periodicals are published.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) REVENUE RECOGNITION *(Continued)*

Revenue from the circulation and subscription sales of newspapers, periodicals and books, net of trade discounts and returns, is recognised on the transfer of risks and rewards of ownership, which generally coincides with the date of delivery. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under trade and other payables in the balance sheet.

Revenue from packaged tour operations is recognised upon the departure of tours. Revenue from the provision of other travel related services is recognised upon the delivery of services.

Travel agency commission income earned from the provision of travel agency services is recognised in accordance with the respective agency agreements, which generally coincides with the time when the services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Management fee income is recognised on an accrual basis.

Operating lease rental income is recognised in equal instalments over the periods covered by the lease term.

Dividend income is recognised when the right to receive payment is established.

(n) SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) SEGMENT REPORTING *(Continued)*

Unallocated expenses represent corporate expenses. Segment assets consist primarily of property, plant and equipment, defined benefit plan assets, inventories, receivables and operating cash, and exclude financial assets at fair value through profit or loss, available-for-sale financial assets, income tax recoverable and corporate assets. Segment liabilities comprise operating liabilities and exclude items such as income tax liabilities and certain corporate borrowings. Capital expenditure comprises additions of property, plant and equipment.

In respect of geographical segment reporting, revenue and results are based on the location in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

(o) TRADE PAYABLES

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) PROVISIONS *(Continued)*

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(s) DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3 FINANCIAL RISK MANAGEMENT

The Group's exposure to interest rate, credit and currency risks arise in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) INTEREST RATE RISK

The Group's cash balances are exposed to the risk arising from changing interest rates. The Group manages this risk by placing deposits at various maturities and interest rate terms.

The Group's bank loans and obligations under finance leases have exposure to risk arising from changing interest rates. Bank loans and obligations under finance leases at variable rates expose the Group to cash flow interest rate risk, and those at fixed rates expose the Group to fair value interest rate risk. The Group manages this risk by maintaining an appropriate level between fixed rates and variable rates for its loans and obligations under finance leases. At the year end, 35% of bank loans and obligations under finance leases were at fixed rates.

(b) CREDIT RISK

The Group manages its credit risk associated with trade receivables through the application of ongoing credit evaluations and monitoring procedures.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

(c) CURRENCY RISK

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, US dollar and Canadian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Currency exposure arising from the net assets of the Group's operations, such as those in the People's Republic of China, the United States of America and Canada is managed primarily through operating liabilities denominated in the relevant foreign currencies.

As at year end, 23% of the Group's cash and cash equivalents held by respective entities in the Group are denominated in a currency different from the entity's functional currency.

4 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES

The Group makes estimates and judgements concerning the future based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) DEFINED BENEFIT PLAN ASSETS

Determination of the carrying amount of defined benefit plan assets requires actuarial assumptions made in respect of discount rate, rate of return on plan assets and rate of future salary increase. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the balance sheet.

Other key assumptions for defined benefit plan assets are based in part on current market conditions. Additional information is disclosed in note 20.

4 CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(b) PROVISION FOR LONG SERVICE PAYMENTS

The provision is based on the best estimation of the probable future payments that have been earned by the employees from their services to the Group at the balance sheet date. Actuarial assumptions made in respect of discount rate, rate of return on plan assets and rate of future salary increase also determine the carrying amount of the provision for long service payments. Changes to these assumptions could have a significant risk of causing a material adjustment to the carrying amount in the balance sheet.

Other key assumptions for provision for long service payments are based in part on current market conditions. Additional information is disclosed in note 28(c).

(c) FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of financial assets at fair value through profit or loss that are not traded in an active market is determined by independent valuation techniques. The Group adopted the quotations provided by the issuers as its best estimate of the fair value.

(d) IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(c)(i). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. Changing the assumptions selected by the Group to determine the level, if any, of impairment, including the discount rate or the growth rate assumptions, could significantly affect the Group's reported financial condition and results of operations.

(e) INCOME TAXES

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) DEFERRED INCOME TAX ASSETS

Management has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the recognition criteria for deferred income tax assets recorded in relation to cumulative tax loss carry forwards. The assumptions regarding future profitability of various subsidiaries and agreed tax losses with the tax authorities require significant judgement, and significant changes in these assumptions from period to period may have a material impact on the Group's reported financial condition and results of operations.

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION

Turnover consists of income from the publication of Chinese newspapers, periodicals and books, provision of travel and travel related services. Turnover and other income recognised during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Turnover		
Advertising income, net of trade discounts	**680,159**	640,309
Sales of newspapers, periodicals and books, net of trade discounts and returns	**200,275**	188,467
Travel and travel related services income	**494,755**	416,724
Travel agency commission income	**3,775**	3,123
	1,378,964	1,248,623
Other income		
Interest income	**10,922**	8,640
Rental and management fee income	**793**	558
Dividend income	**80**	75
License fee and royalty income	**1,214**	1,242
Sales of newsprint waste	**1,853**	1,699
	14,862	12,214
Total revenue and other income	**1,393,826**	1,260,837

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's revenue and results for the year is as follows:

Primary reporting format – business segments:

	Publishing 2007 HK$'000	Travel and travel related services 2007 HK$'000	Elimination 2007 HK$'000	Group 2007 HK$'000
Revenue	880,434	498,530	–	1,378,964
Segment results	25,975	(294)	–	25,681
Interest income				10,922
Net unallocated expenses				(1,555)
Operating profit				35,048
Finance costs				(3,314)
Profit before income tax				31,734
Income tax expense				(6,469)
Profit for the year				25,265
Segment assets	812,546	60,813	(24,903)	848,456
Unallocated assets				92,944
Total assets				941,400
Segment liabilities	(192,846)	(57,354)	24,903	(225,297)
Unallocated liabilities				(29,298)
Total liabilities				(254,595)
Capital expenditure on property, plant and equipment	19,113	842	–	19,955
Depreciation	25,699	755	–	26,454
Amortisation of leasehold land and land use rights	2,712	–	–	2,712
Amortisation of intangible assets	2,105	–	–	2,105
Net other non-cash expenses	1,096	(149)	–	947

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Primary reporting format – business segments: *(Continued)*

	Publishing 2006 HK$'000	Travel and travel related services 2006 HK$'000	Elimination 2006 HK$'000	Group 2006 HK$'000
Revenue	828,776	419,847	–	1,248,623
Segment results	15,657	1,888	–	17,545
Interest income				8,640
Other gains				60,956
Net unallocated expenses				(1,366)
Operating profit				85,775
Finance costs				(3,209)
Share of losses of associated companies				(2,909)
Profit before income tax				79,657
Income tax expense				(7,529)
Profit for the year				72,128
Segment assets	847,047	33,166	(33,102)	847,111
Unallocated assets				125,494
Total assets				972,605
Segment liabilities	(215,910)	(42,339)	33,102	(225,147)
Unallocated liabilities				(33,650)
Total liabilities				(258,797)
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

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments:

	Hong Kong 2007 HK$'000	North America 2007 HK$'000	Mainland China 2007 HK$'000	Elimination 2007 HK$'000	Group 2007 HK$'000
Revenue	851,024	471,265	56,675	–	1,378,964
Segment results	74,757	(21,953)	(16,171)	–	36,633
Interest income					10,922
Net unallocated expenses					(12,507)
Operating profit					35,048
Segment assets	886,045	138,086	212,543	(388,218)	848,456
Unallocated assets					92,944
Total assets					941,400
Segment liabilities	(139,380)	(349,094)	(125,041)	388,218	(225,297)
Unallocated liabilities					(29,298)
Total liabilities					(254,595)
Capital expenditure on property, plant and equipment	14,647	3,669	1,639	–	19,955

5 TURNOVER, OTHER INCOME AND SEGMENT INFORMATION *(Continued)*

Secondary reporting format – geographical segments: *(Continued)*

	Hong Kong 2006 HK$'000	North America 2006 HK$'000	Mainland China 2006 HK$'000	Elimination 2006 HK$'000	Group 2006 HK$'000
Revenue	754,909	459,484	34,230	–	1,248,623
Segment results	73,037	(29,727)	(17,549)	–	25,761
Interest income					8,640
Other gains					60,956
Net unallocated expenses					(9,582)
Operating profit					85,775
Segment assets	852,005	134,068	194,005	(332,967)	847,111
Unallocated assets					125,494
Total assets					972,605
Segment liabilities	(143,554)	(294,854)	(119,706)	332,967	(225,147)
Unallocated liabilities					(33,650)
Total liabilities					(258,797)
Capital expenditure on property, plant and equipment	7,144	2,268	2,401	–	11,813
Capital expenditure on intangible assets	67,631	–	–	–	67,631

6 EXPENSES BY NATURE

	Group	
	2007	2006
	HK$'000	HK$'000
Auditor's remuneration		
Current year	**4,268**	3,149
Under/(over) provision in prior years	**94**	(41)
Raw materials and consumables used	**245,649**	220,294
Depreciation		
Owned property, plant and equipment	**25,272**	23,945
Leased property, plant and equipment	**1,182**	1,805
Amortisation of leasehold land and land use rights	**2,712**	2,712
Amortisation of intangible assets	**2,105**	526
Employee benefit expense (including directors' emoluments) *(note 13)*	**370,959**	359,858
Operating lease expenses		
Land and buildings	**13,151**	12,218
Machineries	**182**	171
Provision for impairment of receivables	**348**	4,872
Provision for inventory obsolescence	**599**	786
Loss on disposals of property, plant and equipment, net	**12**	76
Other expenses	**699,748**	617,426
Total cost of goods sold, selling and distribution expenses, administrative expenses, and other operating expenses	**1,366,281**	1,247,797

7 OTHER GAINS, NET

	Group	
	2007	2006
	HK$'000	HK$'000
Net exchange (loss)/gain	**(18)**	1,818
Fair value (losses)/gains on financial assets at fair value through profit or loss	**(365)**	137
Deemed gain on disposal of partial interests in subsidiaries *(note (a))*	**–**	33,102
Gain on disposal of partial interests in subsidiaries *(note (b))*	**–**	27,854
Others	**7,886**	9,824
	7,503	72,735

Notes:

(a) On 18th October 2005, the shares of One Media Group Limited ("OMG"), a subsidiary of the Group, were listed and traded on the Main Board of the Stock Exchange by the issuance of new ordinary shares. As a result, a gain on deemed disposal of partial interests in subsidiaries amounting to HK$33,102,000 was recognised by the Group.

7 OTHER GAINS, NET *(Continued)*

Notes: (Continued)

(b) 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$8,921,000 to the Group. Details of the transaction were 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 interests in subsidiaries of HK$27,854,000 was recorded in the Group's consolidated income statement in the year ended 31st March 2006 to reflect the probable adjustment to the value of consideration received on disposal of partial interests in Winmax in accordance with the Redgate Agreement.

8 FINANCE COSTS

	Group	
	2007	2006
	HK$'000	HK$'000
Interest on bank loans and overdrafts wholly repayable within five years	**2,901**	2,284
Interest on bank loans and overdrafts not wholly repayable within five years	**–**	444
Interest element of finance lease payments wholly repayable within five years	**413**	481
	3,314	3,209

9 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	Group	
	2007	2006
	HK$'000	HK$'000
Hong Kong profits tax		
Current year	**6,806**	8,975
Over provision in prior years	**(43)**	(337)
Overseas taxation		
Current year	**5,944**	3,001
Over provision in prior years	**(135)**	(334)
Deferred income tax credit *(note 31)*	**(6,103)**	(3,776)
	6,469	7,529

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rates of the countries in which the Group operates as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Profit before income tax	**31,734**	79,657
Tax calculated at the tax rates applicable to profits in the respective countries	**1,720**	8,126
Income not subject to tax	**(2,555)**	(14,398)
Expenses not deductible for tax purposes	**2,001**	3,853
Utilisation of previously unrecognised tax losses	**–**	(1,280)
Recognition of deferred income tax assets arising from previously unrecognised tax losses	**(10,256)**	(4,291)
Tax losses for which no deferred income tax asset was recognised	**15,737**	16,190
Over provision in prior years	**(178)**	(671)
Income tax expense	**6,469**	7,529

The weighted average applicable tax rate was 5% (2006: 10%). The decrease is caused by a change in the profitability of the Group's subsidiaries in the respective regions.

10 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$7,218,000 (2006: HK$79,133,000).

11 DIVIDENDS

	Group and Company	
	2007	2006
	HK$'000	HK$'000
Interim, paid, of HK3 cents (2006: HK3 cents) per ordinary share	**12,129**	11,805
Proposed final – Nil (2006: HK4 cents per ordinary share, paid) *(notes (a) & (b))*	**–**	16,185
	12,129	27,990

Notes:

(a) The board of directors has resolved not to recommend a final dividend for the year ended 31st March 2007 (2006: HK4 cents per ordinary share).

(b) The actual 2006 final dividend paid during the year ended 31st March 2007 was different from the proposed 2006 final dividend as disclosed in the 2006 Annual Report as 545,000 ordinary shares were repurchased by the Company between the financial statements approval date and the ex-dividend date.

12 EARNINGS PER SHARE

(a) BASIC

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

	Group	
	2007	2006
Profit attributable to equity holders of the Company (HK$'000)	**23,705**	68,644
Weighted average number of ordinary shares in issue	**404,666,115**	393,864,156
Basic earnings per share (HK cents)	**6**	17

12 EARNINGS PER SHARE *(Continued)*

(b) DILUTED

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares, which is the share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group	
	2007	2006
Profit attributable to equity holders of the Company used to determine diluted earnings per share (HK$'000)	**23,705**	68,644
Weighted average number of ordinary shares in issue	**404,666,115**	393,864,156
Adjustment for share options	**99,983**	127,086
Weighted average number of ordinary shares for diluted earnings per share	**404,766,098**	393,991,242
Diluted earnings per share (HK cents)	**6**	17

13 EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2007	2006
	HK$'000	HK$'000
Wages and salaries	**332,934**	323,461
Unutilised annual leave	**359**	1,298
Share compensation costs on share options granted by a listed subsidiary	**2,587**	794
Pension costs – defined contribution plans	**6,637**	7,072
Pension costs – defined benefit plans *(note 20)*	**(22)**	281
Long service payments *(note 28 (c))*	**313**	551
Other staff costs	**28,151**	26,401
	370,959	359,858

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Details of directors' emoluments for the year ended 31st March 2007 are set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contributions to pension schemes HK$'000	Share compensation costs on share options granted by a listed subsidiary HK$'000	Total HK$'000
Executive directors						
Tan Sri Datuk TIONG Hiew King	–	–	–	–	213	213
Mr TIONG Kiu King	–	–	–	–	213	213
Dr TIONG Ik King	–	–	–	–	171	171
Mr TIONG Kiew Chiong	–	1,862	54	93	213	2,222
Independent non-executive directors						
Mr TANG Ying Yu	130	–	–	–	26	156
Mr David YU Hon To	160	–	–	–	26	186
Mr Victor YANG	140	–	–	–	26	166
Total	430	1,862	54	93	888	3,327

Details of directors' emoluments for the year ended 31st March 2006 are set out below:

Name of Director	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Employer's contributions to pension schemes HK$'000	Share compensation costs on share options granted by a listed subsidiary HK$'000	Total HK$'000
Executive directors						
Tan Sri Datuk TIONG Hiew King	–	–	–	–	50	50
Mr TIONG Kiu King	–	–	–	–	50	50
Dr TIONG Ik King	–	–	–	–	40	40
Mr TIONG Kiew Chiong	–	1,862	54	93	50	2,059
Independent non-executive directors						
Mr TANG Ying Yu	130	–	–	–	6	136
Mr David YU Hon To	160	–	–	–	6	166
Mr Victor YANG	140	–	–	–	6	146
Total	430	1,862	54	93	208	2,647

No directors waived any emoluments and no emoluments were paid to the directors as an inducement fee to join or as compensation for loss of office during the years ended 31st March 2007 and 2006.

14 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

During the year, no option (2006: nil) was granted to the directors under the share option scheme of the Company approved by the shareholders at the Special General Meeting held on 21st August 2001.

As at 31st March 2007, no option was granted to the directors under the Post-IPO Scheme of OMG. During the year ended 31st March 2006, 5,200,000 share options were conditionally granted to the directors of the Company under the Pre-IPO Scheme of OMG on 27th September 2005.

(b) The five highest paid individuals during the year include one executive director whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining four (2006: four) individuals during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**6,878**	6,670
Contributions to pension scheme	**213**	208
Share compensation costs on share options granted by a listed subsidiary	**443**	100
	7,534	6,978

The emoluments of the four individuals fell within the following bands:

	Number of individuals	
	2007	2006
From HK$1,500,001 to HK$2,000,000	**3**	3
From HK$2,000,001 to HK$2,500,000	**1**	1

15 PROPERTY, PLANT AND EQUIPMENT

	Group							
	Other Properties							
	Freehold land and buildings outside Hong Kong	Buildings held on long term leases outside Hong Kong	Buildings held on medium term leases in Hong Kong	Buildings held on medium term leases outside Hong Kong	Leasehold improvements, furniture, fixtures and office equipment	Machinery and printing equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st April 2005								
Cost	23,465	2,049	68,134	12,283	130,402	240,521	4,026	480,880
Accumulated depreciation	(2,450)	(289)	(16,681)	(2,530)	(111,091)	(169,111)	(2,789)	(304,941)
Net book amount	21,015	1,760	51,453	9,753	19,311	71,410	1,237	175,939
Year ended 31st March 2006								
Opening net book amount	21,015	1,760	51,453	9,753	19,311	71,410	1,237	175,939
Additions	–	–	–	–	9,482	2,326	5	11,813
Exchange adjustment	635	–	–	–	194	1,076	7	1,912
Disposals	–	–	–	–	(73)	(10)	–	(83)
Depreciation	(262)	(31)	(1,888)	(266)	(9,440)	(13,399)	(464)	(25,750)
Closing net book amount	21,388	1,729	49,565	9,487	19,474	61,403	785	163,831

15 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Group							
	Other Properties							
	Freehold land and buildings outside Hong Kong	Buildings held on long term leases outside Hong Kong	Buildings held on medium term leases in Hong Kong	Buildings held on medium term leases outside Hong Kong	Leasehold improvements, furniture, fixtures and office equipment	Machinery and printing equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st March 2006								
Cost	24,214	2,049	68,134	12,283	138,925	245,324	4,062	494,991
Accumulated depreciation	(2,826)	(320)	(18,569)	(2,796)	(119,451)	(183,921)	(3,277)	(331,160)
Net book amount	21,388	1,729	49,565	9,487	19,474	61,403	785	163,831
Year ended 31st March 2007								
Opening net book amount	**21,388**	**1,729**	**49,565**	**9,487**	**19,474**	**61,403**	**785**	**163,831**
Additions	**-**	**-**	**-**	**-**	**15,638**	**2,511**	**1,806**	**19,955**
Exchange adjustment	**371**	**-**	**-**	**-**	**305**	**1,013**	**9**	**1,698**
Disposals	**-**	**-**	**-**	**-**	**(107)**	**(36)**	**(52)**	**(195)**
Depreciation	**(276)**	**(31)**	**(1,888)**	**(266)**	**(11,490)**	**(11,904)**	**(599)**	**(26,454)**
Closing net book amount	**21,483**	**1,698**	**47,677**	**9,221**	**23,820**	**52,987**	**1,949**	**158,835**
At 31st March 2007								
Cost	**24,651**	**2,049**	**68,134**	**12,283**	**153,289**	**246,824**	**5,160**	**512,390**
Accumulated depreciation	**(3,168)**	**(351)**	**(20,457)**	**(3,062)**	**(129,469)**	**(193,837)**	**(3,211)**	**(353,555)**
Net book amount	**21,483**	**1,698**	**47,677**	**9,221**	**23,820**	**52,987**	**1,949**	**158,835**

(a) The carrying values of machines purchased under finance leases are HK$9,162,000 (2006: HK$13,152,000).

(b) Certain property, plant and equipment were pledged as securities for the Group's banking facilities. The details are set out in note 30 to the consolidated financial statements.

16 LEASEHOLD LAND AND LAND USE RIGHTS

	Group	
	2007	2006
	HK$'000	HK$'000
Cost		
At 1st April and 31st March	**146,511**	146,511
Accumulated amortisation		
At 1st April	**35,954**	33,242
Charge for the year *(note 6)*	**2,712**	2,712
At 31st March	**38,666**	35,954
Net book amount		
At 31st March	**107,845**	110,557

(a) The net book amount of the Group's interests in leasehold land and land use rights is analysed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of between 10 to 50 years	**87,694**	89,873
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**16,000**	16,458
Leases of over 50 years	**4,151**	4,226
	107,845	110,557

(b) Certain leasehold land and land use rights were pledged as securities for the Group's banking facilities. The details are set out in note 30 to the consolidated financial statements.

17 INTANGIBLE ASSETS

	Goodwill *(note d)* HK$'000	Archives, masthead and publishing right HK$'000	Total HK$'000
At 1st April 2005			
Cost and net book amount	2,028	–	2,028
Year ended 31st March 2006			
Opening net book amount	2,028	–	2,028
Acquisition of subsidiaries *(notes (a), (b) & 33)*	25,656	41,975	67,631
Amortisation charge *(note (c))*	–	(526)	(526)
Closing net book amount	27,684	41,449	69,133
At 31st March 2006			
Cost	27,684	41,975	69,659
Accumulated amortisation and impairment	–	(526)	(526)
Net book amount	27,684	41,449	69,133
Year ended 31st March 2007			
Opening net book amount	**27,684**	**41,449**	**69,133**
Amortisation charge *(note (c))*	**–**	**(2,105)**	**(2,105)**
Closing net book amount	**27,684**	**39,344**	**67,028**
At 31st March 2007			
Cost	**27,684**	**41,975**	**69,659**
Accumulated amortisation and impairment	**–**	**(2,631)**	**(2,631)**
Net book amount	**27,684**	**39,344**	**67,028**

17 INTANGIBLE ASSETS *(Continued)*

Notes:

(a) On 20th March 2006, Skyland International Investment Limited ("Skyland"), a then indirect non-wholly-owned subsidiary of 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$16,200,000. YZH's wholly-owned subsidiary, Yazhou Zhoukan Limited, is principally engaged in the operation of the magazine "Yazhou Zhoukan" with distribution network in all major cities in the Southeast Asia region.

(b) 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 effective from 1st January 2006.

The fair value of intangible assets arising from the acquisition, amounting to HK$41,975,000, was based on valuation by RHL Appraisal Ltd., an independent valuation consultant.

(c) Amortisation of HK$2,105,000 (2006: HK$526,000) is included in other operating expenses in the consolidated income statement.

(d) The goodwill comes from the acquisition of its PRC subsidiaries in 2004 of HK$2,028,000 and the acquisition of YZH in 2006 of HK$25,656,000. The Group's PRC segment and the operations of YZH are determined to be the corresponding cash-generating units ("CGUs").

The recoverable amount of these CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The growth rate does not exceed the long-term average growth rate for the business in which the CGUs operate. Other key assumptions used for value-in-use calculations are as follows:

	2007	
	Growth rate	**Discount rate**
PRC segment	10-20%	12%
YZH	21%	16%

Management determined budgeted gross margin based on past performance and its expectations for the market development. The growth rates used are consistent with past experience, adjusted for the CGU's specific growth strategies. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

18 INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	HK$'000
Non-current		
Unlisted shares, at cost	**745,171**	745,171
Less: provision for impairment	**(280,700)**	(280,700)
	464,471	464,471
Current		
Amounts due from subsidiaries *(note)*		
Interest-free	**653,482**	16,199
Interest-bearing	**–**	608,440
	653,482	624,639

Note: As at 31st March 2007, the amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand. As at 31st March 2006, the amounts due from subsidiaries were unsecured, non-interest bearing and repayable on demand, except for an amount of HK$608,440,000 which was interest-bearing at 2% to 8% per annum.

The carrying amounts of amounts due from subsidiaries approximate their fair values.

Details of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at market value *(note (a))*	**1,957**	2,085
Unlisted hybrid instruments at fair value *(note (b))*	**7,552**	–
Less: Non-current portion	**(7,552)**	–
	1,957	2,085

(a) The investments were acquired principally for the purpose of selling in the short term.

(b) The instruments were designated by management as financial assets at fair value through profit or loss on initial recognition as the management was not able to measure the embedded derivatives separately either at acquisition or at a subsequent financial reporting date and the embedded derivatives of the instruments could significantly modify the cash flows that would otherwise be required by the instruments.

As these instruments are not publicly traded and in the absence of readily available information to determine the fair values of these instruments, the Group has adopted the quotations provided by the issuers as its best estimate of the fair values of these instruments.

	Company	
	2007	2006
	HK$'000	HK$'000
Listed equity securities in Hong Kong, at market value	**–**	2,085

20 DEFINED BENEFIT PLAN ASSETS

The Group operates a number of staff retirement schemes which include a hybrid retirement benefit scheme (the "Scheme") for its employees in Hong Kong.

(a) The Scheme has three categories of members: Regular Member, Special Member and Defined Benefit ("DB") Member.

Regular Member	–	defined contribution type of benefits based on accumulated contributions and investment gains and losses thereon.
Special Member	–	benefits based on final salary and service period or accumulated employer's contributions with credited investment gains and losses, whichever is higher.
DB Member	–	benefits based on final salary and service period only.

Members are also required to contribute monthly at 5% of their basic monthly salaries to the Scheme. The accumulated members' contributions with investment gains and losses will be paid to the members upon their leaving the employment in addition to the benefits described above.

(b) DEFINED BENEFIT SCHEMES FOR SPECIAL MEMBER AND DB MEMBER

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the income statement so as to spread the regular costs over the service lives of employees. A full valuation of the defined benefit scheme based on the projected unit credit method has been carried out by Watson Wyatt Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the income statement in accordance with its advice.

20 DEFINED BENEFIT PLAN ASSETS *(Continued)*

(b) DEFINED BENEFIT SCHEMES FOR SPECIAL MEMBER AND DB MEMBER *(Continued)*

The limit of net asset to be recognised is disclosed as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Present value of available future refunds or reductions in future contributions	**11,028**	10,792

The amounts recognised in the balance sheet are determined as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fair value of plan assets	**46,949**	40,821
Present value of funded obligations	**(35,921)**	(30,029)
Assets in the balance sheet	**11,028**	10,792

Reconciliation of the fair value of plan assets is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Fair value of plan assets at the beginning of the year	**40,821**	36,345
Company contributions	**954**	935
Expected return on plan assets	**2,851**	2,558
Actual benefits paid	**(1,103)**	(1,641)
Actuarial gains on plan assets	**3,426**	2,624
Fair value of plan assets at the end of the year	**46,949**	40,821

20 DEFINED BENEFIT PLAN ASSETS *(Continued)*

(b) DEFINED BENEFIT SCHEMES FOR SPECIAL MEMBER AND DB MEMBER *(Continued)*

Reconciliation of the present value of the defined benefit obligations is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Present value of obligations at the beginning of the year	**30,029**	28,054
Current service costs	**1,502**	1,729
Interest cost	**1,327**	1,110
Actual benefits paid	**(1,103)**	(1,641)
Actuarial losses on obligations	**4,166**	777
Present value of the obligations at the end of the year	**35,921**	30,029

The amounts recognised in the consolidated income statement are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Current service costs	**(1,502)**	(1,729)
Interest cost	**(1,327)**	(1,110)
Expected return on plan assets	**2,851**	2,558
Total pension income/(costs), included in employee benefit expense *(note 13)*	**22**	(281)

The amounts recognised in the consolidated statement of recognised income and expense are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Cumulative amount of actuarial losses at the beginning of the year	**5,099**	6,946
Actuarial losses/(gains) during the year	**740**	(1,847)
Cumulative amount of actuarial losses at the end of the year	**5,839**	5,099

The actual return on plan assets recognised as an asset was HK$7,058,000 (2006: HK$5,457,000).

20 DEFINED BENEFIT PLAN ASSETS *(Continued)*

(b) DEFINED BENEFIT SCHEMES FOR SPECIAL MEMBER AND DB MEMBER *(Continued)*

Movements in the assets recognised in the balance sheet:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1st April	**10,792**	8,291
Total pension income/(costs) recognised in the consolidated income statement – as shown above	**22**	(281)
Actuarial (losses)/gains recognised in the consolidated statement of recognised income and expense	**(740)**	1,847
Contributions paid	**954**	935
At 31st March	**11,028**	10,792

The principal actuarial assumptions used were as follows:

	Group	
	2007	2006
	%	%
Discount rate	**4.25**	4.5
Expected rate of return on plan assets	**7.0**	7.0
Expected rate of future salary increases		
2007 to 2008 (2006: 2006 to 2007)	**3.0**	1.5
2009 and onwards (2006: 2008 and onwards)	**4.0**	4.0

Expected employer contributions to the defined benefit plan for the year ending 31st March 2008 are HK$2,892,000.

Other disclosure figures for the current and previous year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 31st March		
Present value of defined benefit obligations	**(35,921)**	(30,029)
Fair value of the plan assets	**46,949**	40,821
Surplus	**11,028**	10,792
Experience adjustments on the defined benefit obligations	**(3,292)**	(2,399)
Experience adjustments on the plan assets	**3,426**	2,624

20 DEFINED BENEFIT PLAN ASSETS *(Continued)*

(b) DEFINED BENEFIT SCHEMES FOR SPECIAL MEMBER AND DB MEMBER *(Continued)*

The plan assets are managed by independent investment managers and are invested in unit trusts which comprise between 60-70% equity securities and 30-40% debt securities. Based on current market expectation of long-term returns, the Group has adopted an expected rate of return of 7% per annum.

21 INVENTORIES

	Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**52,340**	48,424
Finished goods	**4,522**	4,700
	56,862	53,124

Raw materials and consumables used recognised as expenses and included in cost of goods sold amounted to HK$245,649,000 (2006: HK$220,294,000).

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**195,080**	183,332	**–**	–
Less: provision for impairment of receivables	**(9,263)**	(9,897)	**–**	–
Trade receivables, net *(note)*	**185,817**	173,435	**–**	–
Deposits and prepayments	**46,727**	37,495	**679**	388
Other receivables	**–**	27,854	**34**	–
	232,544	238,784	**713**	388

The carrying amounts of trade and other receivables approximate their fair value.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

Note: The Group allows in general a credit period ranging from 7 days to 120 days to its trade customers. At 31st March 2007, the ageing analysis of the Group's net trade receivables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0 to 60 days	**115,061**	106,057
61 to 120 days	**48,084**	44,164
121 to 180 days	**14,332**	15,895
Over 180 days	**8,340**	7,319
	185,817	173,435

The carrying amounts of trade receivables, net, are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
HK dollars	**119,586**	114,196
Renminbi	**14,002**	9,061
US dollars	**16,750**	17,107
Canadian dollars	**33,405**	31,240
Others	**2,074**	1,831
	185,817	173,435

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

The Group has recognised a loss of HK$348,000 (2006: HK$4,872,000) for the impairment of its trade receivables during the year ended 31st March 2007. The loss has been included in selling and distribution expenses in the consolidated income statement.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and in hand	**39,853**	37,972	**2,445**	1,996
Short-term bank deposits	**237,907**	270,961	**48,139**	105,651
	277,760	308,933	**50,584**	107,647

The effective interest rate on short-term bank deposits was 4.22% (2006: 3.39%) per annum; these deposits have an average maturity of 23 days (2006: 42 days).

Cash, cash equivalents and bank overdrafts include the following for the purposes of the consolidated cash flow statement:

	Group	
	2007	2006
	HK$'000	HK$'000
Cash and cash equivalents	**277,760**	308,933
Bank overdrafts	**(19,695)**	(20,906)
	258,065	288,027

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
HK dollars	**181,188**	238,986
Renminbi	**20,493**	11,547
US dollars	**66,611**	51,689
Canadian dollars	**4,776**	4,681
Others	**4,692**	2,030
	277,760	308,933

Included in the cash and cash equivalents of the Group are cash and bank deposits denominated in Renminbi placed with banks in Mainland China amounting to HK$20,493,000 (2006: HK$11,547,000), of which the remittance is subject to foreign exchange control.

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables *(note)*	**73,408**	66,577	**–**	–
Accrued charges	**79,641**	69,074	**642**	2,045
Subscriptions received in advance	**45,026**	47,779	**–**	–
	198,075	183,430	**642**	2,045

The carrying amounts of trade and other payables approximate their fair value.

Note: At 31st March 2007, the ageing analysis of the Group's trade payables is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
0 to 60 days	**65,317**	57,114
61 to 120 days	**4,892**	6,050
121 to 180 days	**1,136**	2,985
Over 180 days	**2,063**	428
	73,408	66,577

25 SHARE CAPITAL

	Group and Company Authorised share capital Ordinary shares of HK$0.10 each	
	No. of shares	HK$'000
At 31st March 2006 and 2007	500,000,000	50,000

	Number of ordinary shares	Issued share capital HK$'000	Share premium HK$'000	Total HK$'000
At 1st April 2005	394,431,000	39,442	592,467	631,909
Repurchase of ordinary shares *(note (a))*	(1,201,000)	(120)	(1,728)	(1,848)
Issue of ordinary shares *(note (b))*	12,000,000	1,200	15,000	16,200
At 31st March 2006	405,230,000	40,522	605,739	646,261
Repurchase of ordinary shares *(note (a))*	(931,000)	(93)	(1,190)	(1,283)
Exercise of share options *(note (c))*	136,000	14	188	202
Transfer to reserve *(note (d))*	–	–	(500,000)	(500,000)
At 31st March 2007	404,435,000	40,443	104,737	145,180

Notes:

(a) During the year, the Company repurchased a total of 931,000 (2006: 1,201,000) of its listed shares on 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 ordinary shares repurchased	Purchase price per share Highest HK$	Purchase price per share Lowest HK$	Aggregate purchase consideration HK$
April 2006	40,000	1.40	1.39	55,850
May 2006	30,000	1.38	1.33	41,320
July 2006	268,000	1.38	1.32	360,598
August 2006	297,000	1.43	1.35	413,009
September 2006	177,000	1.40	1.35	243,870
October 2006	91,000	1.43	1.38	127,300
November 2006	27,000	1.48	1.45	39,660
December 2006	1,000	1.40	1.40	1,400
	931,000			1,283,007

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 earnings to the capital redemption reserve.

25 SHARE CAPITAL *(Continued)*

Notes: *(Continued)*

(b) 12,000,000 ordinary shares of the Company were issued as consideration for the acquisition of YZH by Skyland. Details of which are set out in note 17 to the consolidated financial statements.

(c) Pursuant to a share option scheme (the "MP Scheme") approved at the Special General Meeting of the Company held on 21st August 2001 and for the primary purpose of providing incentive to full time employees, the directors of the Company may at their discretion invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The maximum individual entitlement of options shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the MP Scheme. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the MP Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding (i) any shares which have been duly allotted and issued pursuant to the MP Scheme and other schemes; and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i). The MP Scheme will remain valid for a period of ten years commencing on 21st August 2001 after which period no further options will be offered. The offer of a grant of share options may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK$1.00 by the grantee. Options granted are exercisable at any time within ten years after the date of grant or ten years after the adoption date of the MP Scheme (i.e. 20th August 2011), whichever is earlier.

Pursuant to the new requirements of the Listing Rules of the Stock Exchange governing share option schemes which came into effect on 1st September 2001, certain provisions of the MP Scheme were no longer applicable which included the basis of determining the subscription price. According to the Listing Rules, the share subscription price will be determined as the highest of (i) the nominal value of the shares of the Company, (ii) the average of the closing prices of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the five trading days immediately preceding the granting of the options, and (iii) the closing price of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the date of grant of the share options.

25 SHARE CAPITAL *(Continued)*

Notes: (Continued)

(c) *(Continued)*

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2007		2006	
	Average exercise price in HK$ per share	**Number of outstanding share options '000**	Average exercise price in HK$ per share	Number of outstanding share options '000
At 1st April	**1.587**	**5,167**	1.586	5,197
Exercised	**1.486**	**(136)**	N/A	–
Lapsed	**1.549**	**(188)**	1.320	(30)
At 31st March	**1.591**	**4,843**	1.587	5,167

As at 31st March 2007, all of the 4,843,000 outstanding share options (2006: 5,167,000 share options) were exercisable. Options exercised in 2007 resulted in 136,000 shares (2006: nil) being issued at an average price of HK$1.486 per share. The related weighted average share price at the time of exercise was HK$1.800 per share.

All share options outstanding at the end of the year have the expiry date of 20th August 2011 with the following exercise prices:

	Number of outstanding share options	
Exercise price in HK$ per share	**2007 '000**	2006 '000
1.320	**927**	1,010
1.592	**2,716**	2,957
1.800	**1,200**	1,200
	4,843	5,167

Under the specific transitional provisions of IFRS 2, an exemption from the treatment of equity-settled share-based payment transactions as required under IFRS 2 is allowed to shares, share options or other equity instruments which were granted before 7th November 2002 and had been vested by 1st January 2005. As such no share compensation expenses were recognised by the Group in relation to the above-mentioned share options.

(d) During the year ended 31st March 2007, the Company transferred HK$500,000,000 from its share premium account to retained earnings account.

26 RESERVES

	Group										
	Attributable to equity holders of the Company										
	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Employee share-based payment reserve HK$'000	Asset revaluation surplus HK$'000	Other reserves HK$'000	Reserves arising from actuarial adjustments on defined benefit plan assets HK$'000	Reserve arising from actuarial adjustment on long service payment obligations HK$'000	Total HK$'000	(Accumulated losses)/ retained earnings HK$'000	Minority interest HK$'000	Total HK$'000
At 1st April 2006	769	3,657	794	20,987	(16,845)	(5,099)	2,777	7,040	(20,311)	80,818	67,547
Profit for the year	–	–	–	–	–	–	–	–	23,705	1,560	25,265
Transfer from share premium *(note 25(d))*	–	–	–	–	–	–	–	–	500,000	–	500,000
Repurchase of ordinary shares *(note 25(a))*	93	–	–	–	–	–	–	93	(93)	–	–
Exchange adjustment	–	1,950	–	–	–	–	–	1,950	–	(19)	1,931
Share compensation costs on share options granted by a listed subsidiary	–	–	1,331	–	–	–	–	1,331	–	1,256	2,587
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	(17)	(17)
Gain on disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	–	(27,854)	(27,854)
2006 final dividend paid by a listed subsidiary	–	–	–	–	–	–	–	–	–	(392)	(392)
Actuarial losses of defined benefit plan assets	–	–	–	–	–	(740)	–	(740)	–	–	(740)
Actuarial gains of long service payment obligations	–	–	–	–	–	–	1,582	1,582	–	30	1,612
2006 final dividend paid *(note 11)*	–	–	–	–	–	–	–	–	(16,185)	–	(16,185)
2007 interim dividend paid *(note 11)*	–	–	–	–	–	–	–	–	(12,129)	–	(12,129)
At 31st March 2007	862	5,607	2,125	20,987	(16,845)	(5,839)	4,359	11,256	474,987	55,382	541,625
Representing:											
2007 final dividend proposed *(note 11)*									–		
Others									474,987		
Retained earnings at 31st March 2007									474,987		

26 RESERVES *(Continued)*

	Group										
	Attributable to equity holders of the Company										
	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Employee share-based payment reserve HK$'000	Asset revaluation surplus HK$'000	Other reserves HK$'000	Reserves arising from actuarial adjustments on defined benefit plan assets HK$'000	Reserve arising from actuarial adjustment on long service payment obligations HK$'000	Total HK$'000	Accumulated losses HK$'000	Minority interest HK$'000	Total HK$'000
At 1st April 2005	649	3,352	–	–	(16,845)	(6,946)	1,600	(18,190)	(61,269)	11,803	(67,656)
Profit for the year	–	–	–	–	–	–	–	–	68,644	3,484	72,128
Repurchase of ordinary shares *(note 25(a))*	120	–	–	–	–	–	–	120	(120)	–	–
Issue of ordinary shares by a listed subsidiary	–	–	–	–	–	–	–	–	–	105	105
Exchange adjustment	–	305	–	–	–	–	–	305	–	–	305
Disposal of partial interests in subsidiaries	–	–	–	–	–	–	–	–	–	65,483	65,483
Share compensation costs on share options granted by a listed subsidiary	–	–	794	–	–	–	–	794	–	–	794
Actuarial gains of defined benefit plan assets	–	–	–	–	–	1,847	–	1,847	–	–	1,847
Actuarial gains/(losses) of long service payment obligations	–	–	–	–	–	–	1,177	1,177	–	(57)	1,120
Asset revaluation surplus arising from acquisition of subsidiaries	–	–	–	20,987	–	–	–	20,987	–	–	20,987
2005 final dividend paid	–	–	–	–	–	–	–	–	(15,761)	–	(15,761)
2006 interim dividend paid *(note 11)*	–	–	–	–	–	–	–	–	(11,805)	–	(11,805)
At 31st March 2006	769	3,657	794	20,987	(16,845)	(5,099)	2,777	7,040	(20,311)	80,818	67,547

Representing:	
2006 final dividend paid *(note 11)*	16,185
Others	(36,496)
Accumulated losses at 31st March 2006	(20,311)

26 RESERVES *(Continued)*

	Company			
	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Total HK$'000	Retained earnings HK$'000
At 1st April 2005	649	200,379	201,028	291,839
Repurchase of ordinary shares *(note 25(a))*	120	–	120	(120)
Profit for the year	–	–	–	79,133
2005 final dividend paid	–	–	–	(15,761)
2006 interim dividend paid *(note 11)*	–	–	–	(11,805)
At 31st March 2006	769	200,379	201,148	343,286
Representing:				
2006 final dividend paid *(note 11)*				16,185
Others				327,101
Retained earnings at 31st March 2006				343,286
At 1st April 2006	769	200,379	201,148	343,286
Transfer from share premium *(note 25(d))*	–	–	–	500,000
Repurchase of ordinary shares *(note 25(a))*	93	–	93	(93)
Profit for the year	–	–	–	7,218
2006 final dividend paid *(note 11)*	–	–	–	(16,185)
2007 interim dividend paid *(note 11)*	–	–	–	(12,129)
At 31st March 2007	862	200,379	201,241	822,097
Representing:				
2007 final dividend proposed *(note 11)*				–
Others				822,097
Retained earnings at 31st March 2007				822,097

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the equity holders of the Company. At Group's level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

27 SHORT-TERM BANK LOANS

	Group	
	2007	2006
	HK$'000	HK$'000
Trust receipt loans		
Secured	**6,711**	18,626
Unsecured	**–**	338
	6,711	18,964

Trust receipt loans have a term of up to 120 days. The effective interest rate on trust receipt loans was 6.59% (2006: 5.79%) per annum.

The carrying amounts of short-term bank loans approximate their fair value.

28 LONG-TERM LIABILITIES

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans, secured *(note (a))*	**5,427**	9,018
Obligations under finance leases *(note (b))*	**5,470**	8,681
Provision for long service payments *(note (c))*	**1,457**	2,894
	12,354	20,593
Current portion of long-term liabilities	**(6,091)**	(5,227)
	6,263	15,366

Notes:

(a) At 31st March 2007, the Group's secured bank loans were repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Bank loans, secured		
Within one year	**3,421**	1,910
In the second year	**2,006**	1,975
In the third to fifth year	**–**	3,699
After the fifth year	**–**	1,434
	5,427	9,018

28 LONG-TERM LIABILITIES *(Continued)*

Notes: (Continued)

(a) *(Continued)*

The carrying amounts of the Group's secured bank loans were denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
US dollars	**3,416**	4,762
Canadian Dollars	**2,011**	4,256
	5,427	9,018

The effective interest rates on secured bank loans ranged from 4.80% to 6.25% per annum during the year ended 31st March 2007 (2006: from 4.80% to 5.75%).

The Group has the following secured bank loans:

	Group	
	2007	2006
	HK$'000	HK$'000
Floating rate		
within one year	**2,011**	565
in the second year	**–**	565
in the third to fifth year	**–**	1,693
after the fifth year	**–**	1,434
Fixed rate		
within one year	**1,410**	1,345
in the second year	**2,006**	1,410
in the third to fifth year	**–**	2,006
	5,427	9,018

The fair value of secured bank loans amounted to HK$5,232,000 (2006: HK$8,120,000) which were based on cash flows discounted using a rate based on the borrowing rates from 4.80% to 6.25% per annum (2006: from 4.80% to 5.75%).

28 LONG-TERM LIABILITIES *(Continued)*

Notes: (Continued)

(b) At 31st March 2007, the Group's finance lease liabilities were repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Finance lease liabilities minimum lease payment		
Within one year	**2,864**	3,656
In the second year	**2,176**	2,813
In the third to fifth year	**706**	2,822
	5,746	9,291
Future finance charges on finance leases	**(276)**	(610)
Present value of finance lease liabilities	**5,470**	8,681

The present value of finance lease liabilities was repayable as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**2,670**	3,317
In the second year	**2,100**	2,622
In the third to fifth year	**700**	2,742
	5,470	8,681

The carrying amounts of finance lease liabilities were denominated in the following currencies:

	Group	
	2007	2006
	HK$'000	HK$'000
US dollars	**382**	764
Canadian dollars	**5,088**	7,917
	5,470	8,681

The effective interest rates on finance lease liabilities ranged from 6.25% to 9.43% per annum during the year ended 31st March 2007 (2006: from 5.75% to 9.43%).

28 LONG-TERM LIABILITIES *(Continued)*

Notes: (Continued)

(b) *(Continued)*

The Group has the following finance lease liabilities:

	Group	
	2007	2006
	HK$'000	HK$'000
Floating rate		
within one year	**2,288**	2,935
in the second year	**2,100**	2,240
in the third to fifth year	**700**	2,742
Fixed rate		
within one year	**382**	382
in the second year	**–**	382
	5,470	8,681

As at 31st March 2007, the carrying amounts of finance lease liabilities approximate their fair value (2006: same), which were based on cash flows discounted using rates based on the borrowing rates from 6.25% to 9.43% per annum (2006: from 5.75% to 9.43%).

(c) The provision for long service payments represents present value of the obligation under long service payments and respective actuarial gains. The movement during the year is the net-off of current service costs and interest on obligation against long service payments made during the year. Current service costs and interest on obligation have been recognised during the year and included in employee benefit expense (note 13).

The amounts recognised in the consolidated balance sheet are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Present value of the obligation	**1,457**	2,894

Reconciliation of the provision for long service payments is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Present value of the obligation at the beginning of the year	**2,894**	3,645
Current service costs	**206**	427
Interest cost	**107**	124
Long service payments made	**(138)**	(182)
Actuarial gains on the obligation	**(1,612)**	(1,120)
Present value of the obligation at the end of the year	**1,457**	2,894

28 LONG-TERM LIABILITIES *(Continued)*

Notes: (Continued)

(c) *(Continued)*

The amounts recognised in the consolidated statement of recognised income and expense are as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
Cumulative amount of actuarial gains at the beginning of the year	**2,720**	1,600
Net actuarial gains during the year	**1,612**	1,120
Cumulative amount of actuarial gains at the end of the year	**4,332**	2,720

Movements in the provision for long service payments are as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
At 1st April	**2,894**	3,645
Charged to the consolidated income statement *(note 13)*	**313**	551
Credited to the consolidated statement of recognised income and expense	**(1,612)**	(1,120)
Long service payments made	**(138)**	(182)
At 31st March	**1,457**	2,894

The principal actuarial assumption used were as follows:

	Group 2007	Group 2006
Average future working lifetime (in years)	**15**	13
Discount rate (%)	**4.25**	4.5
Expected rate of return of assets (%)	**4.0 – 6.0**	2.5 – 7.0
Expected rate of future salary increases (%)		
2007 to 2008 (2006: 2006 to 2007)	**3.0**	1.5
2009 and onwards (2006: 2008 and onwards)	**4.0**	4.0

Other disclosure figures for the current and previous year are as follows:

	Group 2007 HK$'000	Group 2006 HK$'000
At 31st March		
Present value of the long service payment obligation	**1,457**	2,894
Experience adjustments on the long service payment obligation	**1,251**	970

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) CASH GENERATED FROM OPERATIONS

	Group	
	2007	2006
	HK$'000	HK$'000
Operating profit	**35,048**	85,775
Fair value losses/(gains) on financial assets at fair value through profit or loss	**365**	(137)
Depreciation of property, plant and equipment	**26,454**	25,750
Amortisation of leasehold land and land use rights	**2,712**	2,712
Amortisation of intangible assets	**2,105**	526
Provision for impairment of receivables	**348**	4,872
Provision for inventory obsolescence	**599**	786
Dividend income	**(80)**	(75)
Interest income	**(10,922)**	(8,640)
Gain on disposal of partial interests in subsidiaries	**–**	(27,854)
Deemed gain on disposal of partial interests in subsidiaries	**–**	(30,814)
Loss on disposals of property, plant and equipment	**12**	76
Liquidation of a subsidiary	**(17)**	–
Share compensation costs on share options granted by a listed subsidiary	**2,587**	794
Pension (income)/costs	**(22)**	281
Provision for long service payments	**313**	551
Operating profit before working capital changes	**59,502**	54,603
Increase in inventories	**(4,337)**	(2,646)
Increase in trade and other receivables	**(21,962)**	(7,253)
Increase in trade and other payables	**14,645**	25,709
Cash generated from operations	**47,848**	70,413

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) ACQUISITION OF SUBSIDIARIES

	Group	
	2007	2006
	HK$'000	HK$'000
Archives, masthead and publishing right (included in intangible assets *(note 17)*)	–	41,975
Inventories	–	221
Trade and other receivables	–	13,943
Cash and cash equivalents	–	8,344
Trade and other payables	–	(83,397)
Minority interests	–	9,458
Net liabilities acquired	–	(9,456)

In the year ended 31st March 2006, the subsidiaries acquired utilised HK$8,508,000 for operating activities, and did not pay any balance in respect of income tax of the Group.

An analysis of the net cash inflow in respect of the acquisition of subsidiaries is as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Cash and cash equivalents acquired	–	8,344

29 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Dividend payable		Short-term and long-term bank loans		Obligations under finance leases		Share capital and share premium	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
At 1st April	**–**	–	**27,982**	32,774	**8,681**	12,510	**646,261**	631,909
Exchange differences	**–**	–	**90**	174	**167**	427	**–**	–
Net cash outflow from financing	**(28,314)**	(27,566)	**(15,934)**	(4,966)	**(3,378)**	(4,256)	**(1,283)**	(1,848)
Transfer to reserve *(note (d)(i))*	**–**	–	**–**	–	**–**	–	**(500,000)**	–
Issuance of ordinary shares *(note (d)(ii))*	**–**	–	**–**	–	**–**	–	**–**	16,200
Exercise of share options	**–**	–	**–**	–	**–**	–	**202**	–
Dividends	**28,314**	27,566	**–**	–	**–**	–	**–**	–
At 31st March	**–**	–	**12,138**	27,982	**5,470**	8,681	**145,180**	646,261

(d) MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31st March 2007, the Company transferred HK$500,000,000 from its share premium account to retained earnings account.

(ii) During the year ended 31st March 2006, the Company issued 12,000,000 ordinary shares as consideration for the acquisition as discussed in note 33.

(iii) During the year ended 31st March 2007, minority interests decreased by HK$27,854,000 to reflect the adjustment as discussed in note 7(b).

30 BANKING FACILITIES AND PLEDGE OF ASSETS

At 31st March 2007, the Group's banking facilities were secured by the following:

(a) certain machinery and printing equipment with net book amount of HK$10,424,000 at 31st March 2007 (2006: HK$12,972,000);

(b) first legal charges on certain of the Group's freehold and leasehold land and buildings and land use rights with an aggregate carrying value of HK$183,592,000 at 31st March 2007 (2006: HK$188,159,000) and assignment of rental income derived therefrom;

(c) first legal charges on the Group's publishing titles;

(d) general security agreements under which all the assets of certain subsidiaries with net book amount of HK$116,753,000 at 31st March 2007 (2006: HK$113,527,000) were pledged to certain banks, including HK$22,264,000 (2006: HK$22,073,000) attributable to freehold properties disclosed under note (b) above; and

(e) corporate guarantees issued by the Company.

31 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2006: 17.5%).

The movements in net deferred income tax liabilities/(assets) during the year are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
At 1st April	**10,079**	13,855
Deferred income tax credited to consolidated income statement *(note 9)*	**(6,103)**	(3,776)
At 31st March	**3,976**	10,079

31 DEFERRED INCOME TAX *(Continued)*

The components of deferred income tax liabilities/(assets) recognised in the consolidated balance sheet and the movements (prior to offsetting of the balances within the same tax jurisdiction) during the year are as follows:

	Accelerated tax depreciation HK$'000	General provision on doubtful debts HK$'000	Decelerated tax depreciation HK$'000	Tax losses HK$'000	Revaluation on other properties HK$'000	Total HK$'000
At 1st April 2005	17,163	(33)	(161)	(1,103)	(2,011)	13,855
(Credited)/charged to income statement	(258)	(206)	5	(3,188)	(129)	(3,776)
At 31st March 2006	16,905	(239)	(156)	(4,291)	(2,140)	10,079
At 1st April 2006	16,905	(239)	(156)	(4,291)	(2,140)	10,079
Charged/(credited) to income statement	334	76	45	(6,429)	(129)	(6,103)
At 31st March 2007	17,239	(163)	(111)	(10,720)	(2,269)	3,976

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK$260,867,000 (2006: HK$283,850,000) to carry forward against future taxable income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off and that the deferred income taxes relate to the same tax jurisdiction. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	Group	
	2007 HK$'000	2006 HK$'000
Deferred income tax assets:		
to be recovered within 12 months	**(2,667)**	(3,521)
to be recovered after 12 months	**(7,927)**	(671)
	(10,594)	(4,192)
Deferred income tax liabilities:		
to be settled within 12 months	**408**	878
to be settled after 12 months	**14,162**	13,393
	14,570	14,271

32 COMMITMENT

(a) OPERATING LEASE COMMITMENTS

At 31st March 2007, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Within one year	**9,621**	9,543
Later than one year and not later than five years	**7,515**	11,954
	17,136	21,497

(b) CAPITAL COMMITMENTS

Capital commitments outstanding at the balance sheet date were as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Property, plant and equipment		
Contracted but not provided for	**6,360**	2,649

33 BUSINESS COMBINATION

Details of net liabilities acquired and goodwill generated from the acquisition of 50% issued share capital of YZH by Skyland, details of which are set out in note 17 to the consolidated financial statements, are as follows:

	Group	
	2007	2006
	HK$'000	HK$'000
Purchase consideration		
Fair value of ordinary shares issued *(note 17(a))*	**–**	16,200
Fair value of net liabilities acquired – shown as below	**–**	9,456
Goodwill *(note 17)*	**–**	25,656

The goodwill is attributable to the significant synergies expected to arise after the Group's acquisition of YZH.

The fair value of the ordinary shares issued was based on the published share price.

33 BUSINESS COMBINATION *(Continued)*

The assets and liabilities arising from the acquisition are as follows:

	Fair value HK$'000	**Acquiree's carrying amount** HK$'000
Cash and cash equivalents	8,344	8,344
Archives, masthead and publishing right (included in intangible assets) *(note 17)*	41,975	–
Inventories	221	221
Trade and other receivables	13,943	13,943
Trade and other payables	(83,397)	(83,397)
Net liabilities	(18,914)	(60,889)
Minority interests	9,458	
Net liabilities acquired	(9,456)	
Cash and cash equivalents in subsidiary acquired		8,344
Cash inflow on acquisition		8,344

34 RELATED PARTY TRANSACTIONS AND BALANCES

(a) TRANSACTIONS WITH RELATED PARTIES

	Group	
	2007 **HK$'000**	2006 HK$'000
Rental income received from an associated company	–	311
Charges for administrative and management services, EDP support and equipment rental received from an associated company	–	1,210
Interest income received from an associated company	–	730
Printing and advertising charges received from an associated company	–	211
Advertising charges paid to an associated company	–	22

34 RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) KEY MANAGEMENT COMPENSATION

	Group	
	2007	2006
	HK$'000	HK$'000
Basic salaries, other allowances and benefits in kind	**11,610**	12,000
Contributions to pension scheme	**399**	396
Share compensation costs on share options granted by a listed subsidiary	**1,270**	259
	13,279	12,655

(c) RELATED PARTY BALANCES

At 31st March 2007, the outstanding loan due from Mr Keith KAM Woon Ting, a director of certain subsidiaries of the Company, amounted to HK$551,000 (2006: HK$669,000). The loan was unsecured, interest-bearing at 4.0% to 4.5% (2006: 4.0%) per annum and repayable by monthly installments. The maximum amount outstanding during the year was HK$669,000. No interest was due for the amounts outstanding at 31st March 2007 and 31st March 2006.

35 FINANCIAL GUARANTEES

At 31st March 2007, the Company issued financial guarantees in favour of certain of its subsidiaries totalling HK$178,017,000 (2006: HK$164,866,000) in connection with general banking facilities granted to those subsidiaries. At 31st March 2007, total facilities utilised amounted to HK$39,712,000 (2006: HK$56,424,000).

36 ULTIMATE HOLDING COMPANY

The directors regard Conch Company Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company.

37 EVENTS AFTER THE BALANCE SHEET DATE

On 23rd April 2007, the Company, Sin Chew and Nanyang Press entered into a merger agreement (the "Merger Agreement") in respect of the proposed merger of the Company, Sin Chew and Nanyang Press taking the form of the exchange of all the issued shares in each of Sin Chew and Nanyang Press into the shares of the Company (the "Proposed Merger").

The Proposed Merger constitutes a very substantial acquisition and a connected transaction for the Company under the Listing Rules. As such, the Proposed Merger is subject to approval by the independent shareholders of the Company at a special general meeting. An independent board committee was established to advise the independent shareholders and an independent financial adviser was appointed to advise the independent board committee and the independent shareholders on the terms of the Merger Agreement and the transactions contemplated thereunder, details of which were set out in the circular of the Company dated 9th June 2007.

At a special general meeting of the Company held on 27th June 2007, the resolutions, amongst other things, to approve the Proposed Merger were duly passed by the independent shareholders.

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES

(a) Particulars of principal subsidiaries at 31st March 2007 that are incorporated in Hong Kong are as follows:

Name of subsidiary	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Centricon Enterprises Limited	2 ordinary shares of HK$1 each	100	Property investment
Charming Holidays Limited	1,000,000 ordinary shares of HK$1 each	100	Provision of travel and travel related services
Cheerlane Development Limited	2 ordinary shares of HK$1 each	100	Property investment
Holgain Limited	2 ordinary shares of HK$10 each	100	Property investment
Intelligent Printing Limited	2 ordinary shares of HK$1 each	100	Investment holding
Intelligent Publications (China) Limited	1,000,000 ordinary shares of HK$1 each	100	Investment holding
Kin Ming Printing Company Limited	100 ordinary shares of HK$100 each	100	Provision of printing services
Maribo Brief Limited	2 ordinary shares of HK$1 each	100	Property investment
Media2U Company Limited	101 ordinary shares of HK$1 each	62.83	Magazines advertising and operation

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(a) Particulars of principal subsidiaries at 31st March 2007 that are incorporated in Hong Kong are as follows: *(Continued)*

Name of subsidiary	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Ming Pao Holdings Limited	900 ordinary shares of HK$1,000 each and 100 non-voting deferred shares of HK$1,000 each	100	Investment holding
Ming Pao Holdings (North America) Limited	2 ordinary shares of HK$1 each	100	Investment holding
Ming Pao Magazines Limited	165,000 ordinary shares of HK$10 each	62.83	Magazines publishing
Ming Pao Newspapers Limited	2 ordinary shares of HK$1 each	100	Newspaper publishing
Ming Pao Publications Limited	10 ordinary shares of HK$1 each	100	Books publishing
Mingpao.com Limited	2 ordinary shares of HK$1 each	97.78	Internet related businesses
Perfect Gain Development Limited	2 ordinary shares of HK$1 each	100	Property investment
Yazhou Zhoukan Limited	9,500 ordinary shares of HK$1 each	100	Magazine publishing

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Particulars of principal subsidiaries at 31st March 2007 that are incorporated outside Hong Kong are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Beijing OMG M2U Advertising Company Limited	The People's Republic of China	RMB18,803,036	62.83	Magazines advertising
Beijing Times Resource Advertising Company Limited *(notes (b) & (d))*	The People's Republic of China	RMB3,500,000	62.83	Magazines advertising
Beijing Times Resource Technology Consulting Limited *(notes (b) & (d))*	The People's Republic of China	RMB3,000,000	62.83	Magazines operation
Delta Tour & Travel Services (Canada), Inc.	Canada	850,000 common shares at no par value for CAD530,000	100	Provision of travel and travel related services
Delta Tour & Travel Services (New York), Inc.	The United States of America	20 common shares at no par value for US$10,000	100	Provision of travel and travel related services
Delta Tour & Travel Services Inc.	The United States of America	461,500 common shares at no par value for US$300,500	100	Provision of travel and travel related services

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Particulars of principal subsidiaries at 31st March 2007 that are incorporated outside Hong Kong are as follows: *(Continued)*

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
First Collection Limited	British Virgin Islands	1 ordinary share of US$1	100	Investment holding
Guangzhou Kin Ming Printing Limited *(notes (c) & (d))*	The People's Republic of China	HK$25,000,000	100	Provision of printing services
Media2U (Beijing) Company Limited	The People's Republic of China	US$70,000	62.83	Magazines operation
Media2U (BVI) Company Limited	British Virgin Islands	1 ordinary share of US$1	62.83	Investment holding
Ming Pao Finance Limited	British Virgin Islands	10 ordinary shares of US$1 each	100	Publishing titles holding
Ming Pao Holdings (Canada) Limited	Canada	1 common share at no par value for CAD1	100	Investment holding
Ming Pao Holdings (USA) Inc.	The United States of America	1 common share of US$1	100	Investment holding
Ming Pao International Investment Limited	British Virgin Islands	10 ordinary shares of US$1 each	100	Investment holding
Ming Pao Investment (Canada) Limited	Canada	1 common share of CAD 1	100	Investment holding
Ming Pao Newspapers (Canada) Limited	Canada	1,001 common share at no par value for CAD 11	100	Newspaper publishing

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Particulars of principal subsidiaries at 31st March 2007 that are incorporated outside Hong Kong are as follows: *(Continued)*

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Ming Pao (New York) Inc.	The United States of America	1 common share of US$1	100	Newspaper publishing
Ming Pao (San Francisco) Inc.	The United States of America	1 common share of US$1	100	Newspaper publishing
Mingpao.com Holdings Limited	Cayman Islands	717,735 ordinary shares of HK$0.1 each	97.78	Investment holding
MP Printing Inc.	The United States of America	1 common share of US$1	100	Provision of printing services
One Media Group Limited	Cayman Islands	400,000,000 ordinary shares of HK$0.001 each	62.83	Investment holding
One Media Holdings Limited	British Virgin Islands	20,000 ordinary shares of US$0.01 each	62.83	Investment holding
Starsome Limited	British Virgin Islands	10 ordinary shares of US$1 each	100	Investment holding
Winmax Resources Limited	British Virgin Islands	100,000 ordinary shares of US$0.01 each	85.03	Investment holding
Yazhou Zhoukan Holdings Limited	British Virgin Islands	12,000 ordinary shares of HK$1 each	100	Investment holding
亞週股份有限公司	Taiwan	500,000 ordinary shares of NT$10 each	100	Magazine distributing

38 PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

(b) Particulars of principal subsidiaries at 31st March 2007 that are incorporated outside Hong Kong are as follows: *(Continued)*

Notes:

(i) All companies operate in their respective places of incorporation, except for First Collection Limited, Media2U (BVI) Company Limited, Ming Pao Finance Limited, Ming Pao International Investment Limited, Mingpao.com Holdings Limited, One Media Group Limited, One Media Holdings Limited, Starsome Limited, Winmax Resources Limited and Yazhou Zhoukan Holdings Limited, which operate principally in Hong Kong.

(ii) Beijing Times Resource Advertising Company Limited ("TRA") and Beijing Times Resource Technology Consulting Limited ("TRT") are domestic enterprises in the People's Republic of China ("PRC") owned legally by PRC nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that the decision-making rights, operating and financing activities of TRA and TRT are ultimately controlled by the Group. The Group is also entitled to substantially all of the operating profits and residual benefits generated by TRA and TRT under these arrangements. In particular, the legal owners of these companies are required under their contractual arrangements with the Group to transfer their interests in TRA and TRT to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. Further, the Group can receive the cash flow derived from the operations of TRA and TRT through the levying of service and consultancy fees. The ownership interests in TRA and TRT have also been pledged by the legal owners of these companies to the Group. Based on the above, the directors regard these companies as subsidiaries of the Company.

(iii) The subsidiary was established in PRC in the form of a wholly-owned foreign enterprise.

(iv) The subsidiaries have 31st December as their financial accounting year end date, which is not coterminous with that of the Group for the reason of compliance with local regulations.

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the Group's results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

39 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS

(a) RECONCILIATION OF EQUITY AS AT 1ST APRIL 2005 (DATE OF TRANSITION TO IFRS)

	HKFRS	Effects of conversion to IFRS			IFRS
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		note (i)	*note (ii)*	*note (iii)*	
ASSETS					
Non-current assets					
Property, plant and equipment	175,939	–	–	–	175,939
Leasehold land and land use rights	113,269	–	–	–	113,269
Intangible assets	2,028	–	–	–	2,028
Interests in associated companies	22,210	–	–	–	22,210
Defined benefit plan assets	14,687	(6,396)	–	–	8,291
Deferred income tax assets	749	–	–	–	749
	328,882	(6,396)	–	–	322,486
Current assets					
Inventories	51,043	–	–	–	51,043
Financial assets at fair value through profit or loss	1,948	–	–	–	1,948
Trade and other receivables	199,553	–	–	–	199,553
Income tax recoverable	894	–	–	–	894
Cash and cash equivalents	190,158	–	–	–	190,158
	443,596	–	–	–	443,596
Current liabilities					
Trade and other payables	118,204	–	–	–	118,204
Income tax liabilities	7,589	–	–	–	7,589
Short-term bank loans	22,081	–	–	–	22,081
Bank overdrafts, secured	12,504	–	–	–	12,504
Current portion of long-term liabilities	5,943	–	–	–	5,943
	166,321	–	–	–	166,321
Net current assets	277,275	–	–	–	277,275
Total assets less current liabilities	606,157	(6,396)	–	–	599,761

39 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(a) RECONCILIATION OF EQUITY AS AT 1ST APRIL 2005 (DATE OF TRANSITION TO IFRS) *(Continued)*

	HKFRS	Effects of conversion to IFRS			IFRS
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		note (i)	*note (ii)*	*note (iii)*	
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	39,442	–	–	–	39,442
Share premium	592,467	–	–	–	592,467
Other reserves	20,738	(6,946)	1,600	(33,582)	(18,190)
Accumulated losses					
– Proposed final dividend	15,761	–	–	–	15,761
– Others	(111,621)	1,065	(56)	33,582	(77,030)
	556,787	(5,881)	1,544	–	552,450
Minority interests	12,318	(515)	–	–	11,803
Total equity	569,105	(6,396)	1,544	–	564,253
Non-current liabilities					
Long-term liabilities	22,448	–	(1,544)	–	20,904
Deferred income tax liabilities	14,604	–	–	–	14,604
	606,157	(6,396)	–	–	599,761

39 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(b) RECONCILIATION OF EQUITY AS AT 31ST MARCH 2006

	HKFRS	Effects of conversion to IFRS			IFRS
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		note (i)	*note (ii)*	*note (iii)*	
ASSETS					
Non-current assets					
Property, plant and equipment	163,831	–	–	–	163,831
Leasehold land and land use rights	110,557	–	–	–	110,557
Intangible assets	69,133	–	–	–	69,133
Defined benefit plan assets	15,104	(4,312)	–	–	10,792
Deferred income tax assets	4,192	–	–	–	4,192
	362,817	(4,312)	–	–	358,505
Current assets					
Inventories	53,124	–	–	–	53,124
Available-for-sale financial assets	4,698	–	–	–	4,698
Financial assets at fair value through profit or loss	2,085	–	–	–	2,085
Trade and other receivables	238,784	–	–	–	238,784
Income tax recoverable	6,476	–	–	–	6,476
Cash and cash equivalents	308,933	–	–	–	308,933
	614,100	–	–	–	614,100
Current liabilities					
Trade and other payables	183,430	–	–	–	183,430
Income tax liabilities	633	–	–	–	633
Short-term bank loans	18,964	–	–	–	18,964
Bank overdrafts, secured	20,906	–	–	–	20,906
Current portion of long-term liabilities	5,227	–	–	–	5,227
	229,160	–	–	–	229,160
Net current assets	384,940	–	–	–	384,940
Total assets less current liabilities	747,757	(4,312)	–	–	743,445

39 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(b) RECONCILIATION OF EQUITY AS AT 31ST MARCH 2006 *(Continued)*

	HKFRS	Effects of conversion to IFRS			IFRS
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		note (i)	*note (ii)*	*note (iii)*	
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	40,522	–	–	–	40,522
Share premium	605,739	–	–	–	605,739
Other reserves	42,944	(5,099)	2,777	(33,582)	7,040
Accumulated losses					
– Proposed final dividend	16,185	–	–	–	16,185
– Others	(71,217)	1,299	(160)	33,582	(36,496)
	634,173	(3,800)	2,617	–	632,990
Minority interests	81,387	(512)	(57)	–	80,818
Total equity	715,560	(4,312)	2,560	–	713,808
Non-current liabilities					
Long-term liabilities	17,926	–	(2,560)	–	15,366
Deferred income tax liabilities	14,271	–	–	–	14,271
	747,757	(4,312)	–	–	743,445

39 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

(c) RECONCILIATION OF PROFIT FOR THE YEAR ENDED 31ST MARCH 2006

	HKFRS	Effects of conversion to IFRS		IFRS
	HK$'000	HK$'000 *note (i)*	HK$'000 *note (ii)*	HK$'000
Revenue	1,248,623	–	–	1,248,623
Cost of goods sold	(911,147)	236	(103)	(911,014)
Gross profit	337,476	236	(103)	337,609
Other income	12,214	–	–	12,214
Other gains, net	72,735	–	–	72,735
Selling and distribution expenses	(197,280)	–	–	(197,280)
Administrative expenses	(123,838)	–	–	(123,838)
Other operating expenses	(15,665)	–	–	(15,665)
Operating profit	85,642	236	(103)	85,775
Finance costs	(3,209)	–	–	(3,209)
Share of losses of associated companies	(2,909)	–	–	(2,909)
Profit before income tax	79,524	236	(103)	79,657
Income tax expense	(7,529)	–	–	(7,529)
Profit for the year	71,995	236	(103)	72,128
Attributable to:				
Equity holders of the Company	68,514	233	(103)	68,644
Minority interests	3,481	3	–	3,484
	71,995	236	(103)	72,128
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents)				
– basic	17	–	–	17
– diluted	17	–	–	17
Dividends	(27,990)	–	–	(27,990)

39 RECONCILIATION OF EQUITY AND PROFIT FROM HKFRS TO IFRS *(Continued)*

Notes:

(i) Under IAS 19 (Amendment) – Employee Benefits, the Group has elected to recognise all cumulative actuarial gains and losses in relation to employee benefit schemes at the date of transition. It has resulted in a decrease in equity attributable to equity holders of the Company by HK$5,881,000 and HK$3,800,000; and a decrease in minority interests by HK$515,000 and HK$512,000 as at 1st April 2005 and 31st March 2006, respectively. The employee benefit expense also decreased by HK$236,000 for the year ended 31st March 2006.

(ii) The adoption of IAS 19 (Amendment) also resulted in a change of recognising the actuarial gains and losses related to the long service payment. It has resulted in an increase in equity attributable to equity holders of the Company by HK$1,544,000 and HK$2,617,000 as at 1st April 2005 and 31st March 2006, respectively; and a decrease in minority interests by HK$57,000 as at 31st March 2006. The employee benefit expense also increased by HK$103,000 for the year ended 31st March 2006.

(iii) The Group adopted an exemption in IFRS 1 whereby the Group was allowed to adopt revaluation on certain freehold land and buildings as deemed cost, and hence the corresponding property revaluation reserve amounting to HK$33,582,000 was reclassified from other reserves to accumulated losses as at 1st April 2005 and 31st March 2006, respectively.

Balance Sheet

As at 31st March 2007

	NOTE	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	*18*	**464,471**	464,471
Current assets			
Amounts due from subsidiaries	*18*	**653,482**	624,639
Financial assets at fair value through profit or loss	*19*	**–**	2,085
Trade and other receivables	*22*	**713**	388
Cash and cash equivalents	*23*	**50,584**	107,647
		704,779	734,759
Current liabilities			
Amounts due to subsidiaries		**–**	6,339
Trade and other payables	*24*	**642**	2,045
Income tax liabilities		**90**	151
		732	8,535
Net current assets		**704,047**	726,224
Total assets less current liabilities		**1,168,518**	1,190,695
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*25*	**40,443**	40,522
Share premium	*25*	**104,737**	605,739
Other reserves	*26*	**201,241**	201,148
Retained earnings	*26*		
– Proposed final dividend		**–**	16,185
– Others		**822,097**	327,101
Total equity		**1,168,518**	1,190,695

On behalf of the Board

TIONG Kiu King
Director

TIONG Kiew Chiong
Director

Consolidated Income Statement

For the year ended 31st March 2007

	NOTE	2007 HK$'000	2006 HK$'000
Revenue	5	**1,378,964**	1,248,623
Cost of goods sold	6	**(1,003,970)**	(911,014)
Gross profit		**374,994**	337,609
Other income	5	**14,862**	12,214
Other gains, net	7	**7,503**	72,735
Selling and distribution expenses	6	**(211,250)**	(197,280)
Administrative expenses	6	**(131,683)**	(123,838)
Other operating expenses	6	**(19,378)**	(15,665)
Operating profit		**35,048**	85,775
Finance costs	8	**(3,314)**	(3,209)
Share of losses of associated companies		**–**	(2,909)
Profit before income tax		**31,734**	79,657
Income tax expense	9	**(6,469)**	(7,529)
Profit for the year		**25,265**	72,128
Attributable to:			
Equity holders of the Company		**23,705**	68,644
Minority interests		**1,560**	3,484
		25,265	72,128
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents)			
– basic	12	**6**	17
– diluted	12	**6**	17
Dividends	11	**(12,129)**	(27,990)

Consolidated Balance Sheet

As at 31st March 2007

	NOTE	2007 HK$'000	2006 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	**158,835**	163,831
Leasehold land and land use rights	16	**107,845**	110,557
Intangible assets	17	**67,028**	69,133
Financial assets at fair value through profit or loss	19	**7,552**	–
Defined benefit plan assets	20	**11,028**	10,792
Deferred income tax assets	31	**10,594**	4,192
		362,882	358,505
Current assets			
Inventories	21	**56,862**	53,124
Available-for-sale financial assets		**4,698**	4,698
Financial assets at fair value through profit or loss	19	**1,957**	2,085
Trade and other receivables	22	**232,544**	238,784
Income tax recoverable		**4,697**	6,476
Cash and cash equivalents	23	**277,760**	308,933
		578,518	614,100
Current liabilities			
Trade and other payables	24	**198,075**	183,430
Income tax liabilities		**3,190**	633
Short-term bank loans	27	**6,711**	18,964
Bank overdrafts, secured		**19,695**	20,906
Current portion of long-term liabilities	28	**6,091**	5,227
		233,762	229,160
Net current assets		**344,756**	384,940
Total assets less current liabilities		**707,638**	743,445
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	**40,443**	40,522
Share premium	25	**104,737**	605,739
Other reserves	26	**11,256**	7,040
Retained earnings/(accumulated losses)	26		
– Proposed final dividend		**–**	16,185
– Others		**474,987**	(36,496)
		631,423	632,990
Minority interests	26	**55,382**	80,818
Total equity		**686,805**	713,808
Non-current liabilities			
Long-term liabilities	28	**6,263**	15,366
Deferred income tax liabilities	31	**14,570**	14,271
		707,638	743,445

On behalf of the Board

TIONG Kiu King
Director

TIONG Kiew Chiong
Director

Consolidated Cash Flow Statement

For the year ended 31st March 2007

	NOTE	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Cash generated from operations	29(a)	**47,848**	70,413
Interest on bank loans and overdrafts		**(2,901)**	(2,728)
Interest element of finance lease payments		**(413)**	(481)
Hong Kong profits tax paid		**(5,259)**	(19,297)
Overseas tax paid		**(2,977)**	(4,546)
Long service payments made		**(138)**	(182)
Contributions to the defined benefit plan		**(954)**	(935)
Net cash generated from operating activities		**35,206**	42,244
Cash flows from investing activities			
Purchase of property, plant and equipment		**(19,955)**	(11,813)
Purchase of financial assets at fair value through profit or loss		**(7,789)**	–
Proceeds from disposal of partial interests in subsidiaries		**–**	96,403
Net cash inflow in respect of the acquisition of subsidiaries	29(b)	**–**	8,344
Proceeds from disposals of property, plant and equipment		**183**	7
Repayment from an associated company		**–**	5,349
Interest received		**10,922**	8,640
Dividends received		**80**	75
Net cash (used in)/generated from investing activities		**(16,559)**	107,005
Cash flows from financing activities	29(c)		
Proceeds from exercise of share options		**202**	–
Repurchase of ordinary shares		**(1,283)**	(1,848)
Dividends paid		**(28,314)**	(27,566)
Dividends paid by a listed subsidiary		**(392)**	–
Repayment of bank loans		**(15,934)**	(4,966)
Capital element of finance lease payments		**(3,378)**	(4,256)
Net cash used in financing activities		**(49,099)**	(38,636)
Net (decrease)/increase in cash and cash equivalents, and bank overdrafts		**(30,452)**	110,613
Cash and cash equivalents as at 1st April		**288,027**	177,654
Exchange gain/(loss) on cash and cash equivalents		**490**	(240)
Cash and cash equivalents, and bank overdrafts as at 31st March		**258,065**	288,027

Consolidated Statement of Recognised Income and Expense

For the year ended 31st March 2007

	NOTE	2007 HK$'000	2006 HK$'000
Currency translation differences	26	**1,931**	305
Actuarial (losses)/gains of defined benefit plan assets	26	**(740)**	1,847
Actuarial gains of long service payment obligations	26	**1,612**	1,120
Net income recognised directly in equity		**2,803**	3,272
Profit for the year	26	**25,265**	72,128
Total recognised income for the year		**28,068**	75,400
Attributable to:			
Equity holders of the Company		**26,497**	71,973
Minority interests		**1,571**	3,427
		28,068	75,400

The results of the Group for the last five financial years are as follows:

	For the year ended 31st March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,378,964**	1,248,623	1,168,679	1,001,788	1,013,323
Profit attributable to equity holders of the Company	**23,705**	68,644	43,340	41,864	33,207
Basic earnings per share	**6 cents**	17 cents	11 cents	11 cents	8 cents

The assets and liabilities of the Group for the last five financial years are as follows:

	As at 31st March				
	2007	2006	2005	2004	2003
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**158,835**	163,831	175,939	373,198	356,597
Leasehold land and land use rights	**107,845**	110,557	113,269	–	–
Intangible assets	**67,028**	69,133	2,028	–	–
Interests in associated companies	**–**	–	22,210	21,669	18,022
Financial assets at fair value through profit or loss	**7,552**	–	–	–	–
Defined benefit plan assets	**11,028**	10,792	14,687	14,377	14,286
Deferred income tax assets	**10,594**	4,192	749	1,044	1,164
	362,882	358,505	328,882	410,288	390,069
Current assets	**578,518**	614,100	443,596	412,629	392,228
Current liabilities	**(233,762)**	(229,160)	(166,321)	(168,631)	(165,360)
Net current assets	**344,756**	384,940	277,275	243,998	226,868
Total assets less current liabilities	**707,638**	743,445	606,157	654,286	616,937
Minority interests	**(55,382)**	(80,818)	(12,318)	(1,664)	(1,605)
Long-term liabilities	**(6,263)**	(15,366)	(22,448)	(23,126)	(15,161)
Deferred income tax liabilities	**(14,570)**	(14,271)	(14,604)	(28,364)	(29,248)
Equity holders' fund	**631,423**	632,990	556,787	601,132	570,923

Note: The figures for the year ended 31st March 2006 had been restated pursuant to the adoption of IFRSs. Figures for the year ended 31st March 2005 and prior corresponding years have not been restated as it would involve delay and expenses out of proportion to the benefit to equity holders.

The directors submit their report together with the audited consolidated financial statements for the year ended 31st March 2007.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

An analysis of the Group's performance for the year by business and geographical segments is set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 36.

The directors have declared an interim dividend of HK3 cents per ordinary share, totalling HK$12,129,000 which was paid on 15th January 2007. The board of directors has resolved not to recommend a final dividend for the year ended 31st March 2007.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31st March 2007, calculated under the Companies Act of 1981 of Bermuda (as amended), amounted to HK$1,022,476,000 (2006: HK$543,665,000).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 120.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company repurchased a total of 931,000 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 ordinary shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase consideration
		HK$	HK$	HK$
April 2006	40,000	1.40	1.39	55,850
May 2006	30,000	1.38	1.33	41,320
July 2006	268,000	1.38	1.32	360,598
August 2006	297,000	1.43	1.35	413,009
September 2006	177,000	1.40	1.35	243,870
October 2006	91,000	1.43	1.38	127,300
November 2006	27,000	1.48	1.45	39,660
December 2006	1,000	1.40	1.40	1,400
	931,000			1,283,007

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 earnings to the capital redemption reserve.

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.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Tan Sri Datuk TIONG Hiew King *(Chairman)*
Mr TIONG Kiu King
Dr TIONG Ik King
Mr TIONG Kiew Chiong *(Chief Executive Officer)*
[1] Mr TANG Ying Yu
[1] Mr David YU Hon To
[1] Mr Victor YANG

[1] *independent non-executive directors*

In accordance with bye-law 99(A) of the Company's bye-laws, Mr TIONG Kiu King, Mr TANG Ying Yu and Mr David YU Hon To retire by rotation at the annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual written confirmations from each independent non-executive director for his independence to the Group and the Company considered all independent non-executive directors to be independent.

DIRECTORS *(Continued)*

Front *(from left)* Mr TIONG Kiu King, Tan Sri Datuk TIONG Hiew King, Mr David YU Hon To
Back *(from left)* Mr Victor YANG, Mr TANG Ying Yu, Mr TIONG Kiew Chiong, Dr TIONG Ik King

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Tan Sri Datuk TIONG Hiew King, aged 73, has been the Chairman of the Company since October 1995. Tan Sri Datuk TIONG Hiew King is also the Chairman of Sin Chew, a listed media company in Malaysia, and the Executive Chairman of Rimbunan Hijau Group, a large diversified conglomerate in Malaysia. He has extensive experience in a number of industries including timber, newspaper publishing, plantations, fishery, media, information technology, manufacturing, property development and investment. He is also the President of The Chinese Language Press Institute Limited.

Mr TIONG Kiu King, aged 72, has been an executive director of the Company since October 1995. He is a member of the Executive Committee of the Group and a director of various subsidiaries of the Company. He is also the Chairman of OMG, a subsidiary of the Group which was listed on the Stock Exchange on 18th October 2005. Mr TIONG graduated with a Diploma in Civil Engineering from Tak Ming College in Hong Kong in 1964. He has been in the media business for more than 10 years and also has extensive business experience in other industries including property development and plantation as well as investment projects in Mainland China. He is a brother of Tan Sri Datuk TIONG Hiew King.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

Dr TIONG Ik King, aged 56, has been an executive director of the Company since October 1995. He is also a director of Sin Chew and has extensive experience in media, information technology, manufacturing and timber industries. Dr TIONG graduated with a M.B.B.S. Degree from the National University of Singapore in 1975 and obtained a M.R.C.P. from the Royal College of Physicians in the United Kingdom in 1977. Dr TIONG also sits on the boards of several listed companies in Malaysia and Singapore. He is a brother of Tan Sri Datuk TIONG Hiew King.

Mr TIONG Kiew Chiong, aged 47, joined the Company as an executive director on 2nd May 1998 and was appointed as the Chief Executive Officer of the Company on 13th December 2005. He is the Chairman of the Executive Committee of the Group and a director of various subsidiaries of the Company. He is also the Deputy Chairman of OMG. Mr TIONG has been in the media business for more than 19 years. He was one of the founders of The National, a newspaper in Papua New Guinea launched in 1993 and was formerly a director of Sin Chew. Mr TIONG graduated with a Bachelor of Business Administration Degree from York University, Toronto, Canada in 1982.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr TANG Ying Yu, aged 62, has been an independent non-executive director of the Company since April 1995. Mr TANG is a civil engineer and acts as the managing director of both Southern Petroleum Company Limited and Wan Lai Company Limited. Mr TANG has over 32 years of extensive experience in trading, petroleum, real estate development industries in China, Hong Kong, Thailand and Indonesia. Mr TANG obtained a Bachelor's Degree in Civil Engineering from Hong Kong Baptist College in 1967.

Mr David YU Hon To, aged 59, was appointed as an independent non-executive director of the Company on 30th March 1999. He is also an independent non-executive director of OMG. Mr YU is a fellow of the Institute of Chartered Accountants in England and Wales and an associate of the Hong Kong Institute of Certified Public Accountants. He was formerly a partner of an international accounting firm with extensive experience in corporate finance. Mr YU is a founder and a director of Management Capital Limited, which specialises in direct investment and financial advisory activities, and also sits on the boards of several listed companies in Hong Kong.

Mr Victor YANG, aged 61, was appointed as an independent non-executive director of the Company on 23rd September 2004. Mr YANG is a partner with Boughton Peterson Yang Anderson, Solicitors, Hong Kong SAR and is also a qualified lawyer in Canada and the United Kingdom. He has extensive experience in the areas of corporate finance, commercial law, mergers, acquisitions and taxation, and also sits on the boards of several listed companies in Hong Kong and the United States of America.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(Continued)*

SENIOR MANAGEMENT

Mr ONG See Boon, aged 56, joined the Group in 1997. He is a member of the Executive Committee of the Group, and is the Group Editorial Director and Special Assistant to the Chairman. Mr ONG also holds directorships in various subsidiaries of the Company. Mr ONG, who started his career as a journalist, has over 31 years of experience in the newspaper industry in Hong Kong and Malaysia. Before he joined the Company, he held various key positions and directorships in the Rimbunan Hijau Group of companies' operations in Mainland China.

Mr CHEUNG Kin Bor, aged 52, joined the Group in 1986. He is a member of the Executive Committee of the Group, and is a director of Ming Pao Newspapers Limited and Mingpao.com Limited. He is also the Chief Editor of *Ming Pao Daily News*. Mr CHEUNG graduated from the Chinese University of Hong Kong with a Bachelor of Business Administration Degree and has over 29 years of publishing and editorial experience in Hong Kong. Before he joined the Group, he had worked with the *Hong Kong Economic Journal Monthly* and *Hong Kong Economic Journal*, both of which are prestige Chinese magazine and newspaper in Hong Kong. He was the Chairperson of the Hong Kong New Executives Association in 2000.

Mr Keith KAM Woon Ting, aged 49, joined the Group in 1995. He is a member of the Executive Committee of the Group, and is a director of Ming Pao Newspapers Limited and Mingpao.com Limited. He is also the Chief Operating Officer of Ming Pao Holdings Limited and Mingpao.com Limited. Mr KAM has been in the media and newspaper industry since 1976. Prior to joining the Group, he had held various positions in advertising and marketing firms as well as a newspaper publishing company namely Express News Limited. Mr KAM has extensive managerial experience in publishing, advertising and distribution of newspapers and media products. Mr KAM is currently the Vice-Chairman of The Newspaper Society of Hong Kong and a committee member of The Chinese Language Press Institute Limited.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the Company discloses that during the year, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King are the directors of the Company as well as the ultimate beneficial owners of the Company's controlling shareholder, Conch Company Limited. Both of them hold directorships and/or ownership in Sin Chew, Nanyang Press, Pacific Star Limited and R.H. Tours and Travel Agency Sdn Bhd. Sin Chew and Nanyang Press are engaged in the business of newspapers and magazines publishing in Malaysia while Pacific Star Limited operates in the same business in Papua New Guinea. R.H. Tours and Travel Agency Sdn Bhd is engaged in the travel and travel related services business in Malaysia. As the board of directors of the Company is independent of the board of the aforesaid companies, the Group operates its business independently of, and at arm's length from, the business of the aforesaid companies.

DIRECTORS' INTERESTS IN COMPETING BUSINESS *(Continued)*

Conch Company Limited is also the controlling shareholder of OMG, a subsidiary of the Company which is listed on the Stock Exchange. OMG is engaged in the business of the publication, marketing and distribution of Chinese-language lifestyle magazines and the sale of advertising space in those magazines in Hong Kong and the PRC. The directors consider that there is a clear delineation and no competition between the businesses of the Group and OMG and confirm that the Company is carrying on its business independently of, and at arm's length with, OMG.

DIRECTORS' SERVICE CONTRACTS

Each of Mr TANG Ying Yu, Mr David YU Hon To and Mr Victor YANG has entered into a service contract with the Company for a term of two years and three months commencing from 1st January 2006 until 31st March 2008.

Mr TIONG Kiew Chiong entered into a service contract with the Company in May 1998. The service contract shall continue unless and until terminated by either the Company or Mr TIONG Kiew Chiong giving to the other not less than 3 months' prior notice in writing to terminate the service contract.

Save disclosed therein, none of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

SHARE OPTION SCHEMES

(A) SHARE OPTION SCHEME OF THE COMPANY

Pursuant to a share option scheme (the "MP Scheme") approved at the Special General Meeting of the Company held on 21st August 2001 and for the primary purpose of providing incentive to full time employees, the directors of the Company may at their discretion invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

(i) Summary of terms:

The maximum individual entitlement of options shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company in respect of which options may at that time be granted under the MP Scheme. The maximum number of shares in respect of which options may be granted (together with options exercised and options then outstanding) under the MP Scheme may not exceed 10% of the issued share capital of the Company from time to time excluding (i) any shares which have been duly allotted and issued pursuant to the MP Scheme and other schemes; and (ii) any pro-rata entitlements to further shares issued in respect of those shares mentioned in (i). The MP Scheme will remain valid for a period of ten years commencing on 21st August 2001 after which period no further options will be offered. The offer of a grant of share options may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK$1.00 by the grantee. Options granted are exercisable at any time within ten years after the date of grant or ten years after the adoption date of the MP Scheme (i.e. 20th August 2011), whichever is earlier.

SHARE OPTION SCHEMES *(Continued)*

(A) SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

(i) Summary of terms: *(Continued)*

Pursuant to the Listing Rules' new requirements governing share option schemes which came into effect on 1st September 2001, certain provisions of the MP Scheme were no longer applicable which included the basis of determining the subscription price. According to the Listing Rules, the share subscription price will be determined as the highest of (i) the nominal value of the shares of the Company, (ii) the average of the closing prices of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the five trading days immediately preceding the granting of the options, and (iii) the closing price of the shares of the Company as stated in the daily quotation sheet by the Stock Exchange on the date of grant of the share options.

(ii) During the year, movements of the share options granted under the MP Scheme are as follows:

	Number of shares involved in share options								
Grantee	**Balance at 1st April 2006**	**Granted during the year** *(note 1)*	**Exercised during the year** *(note 2)*	**Lapsed during the year** *(note 3)*	**Balance at 31st March 2007**	**Percentage of issued ordinary shares at 31st March 2007**	**Exercise price per share** HK$	**Date of grant**	**Exercisable period**
Directors:									
Tan Sri Datuk TIONG Hiew King	300,000	–	–	–	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Tan Sri Datuk TIONG Hiew King	300,000	–	–	–	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiu King	300,000	–	–	–	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiu King	300,000	–	–	–	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Dr TIONG Ik King	300,000	–	–	–	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Dr TIONG Ik King	300,000	–	–	–	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
Mr TIONG Kiew Chiong	300,000	–	–	–	300,000	0.074%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Mr TIONG Kiew Chiong	300,000	–	–	–	300,000	0.074%	1.800	15/09/2003	16/09/2003 – 20/08/2011
	2,400,000	–	–	–	2,400,000	0.592%			
Full time employees	1,757,000	–	(83,000)	(158,000)	1,516,000	0.375%	1.592	31/08/2001	01/09/2001 – 20/08/2011
Full time employees	1,010,000	–	(53,000)	(30,000)	927,000	0.229%	1.320	29/08/2003	30/08/2003 – 20/08/2011
Total	5,167,000	–	(136,000)	(188,000)	4,843,000	1.196%			

SHARE OPTION SCHEMES *(Continued)*

(A) SHARE OPTION SCHEME OF THE COMPANY *(Continued)*

(ii) During the year, movements of the share options granted under the MP Scheme are as follows: *(Continued)*

Note: (1) No share option was granted or cancelled during the year.

(2) During the year, 83,000 shares and 53,000 shares of HK$0.10 each were issued at HK$1.592 per share and HK$1.32 per share respectively as a result of the exercise of the Company's share options. The weighted average of the closing prices of the Company's shares immediately before the dates on which the above share options were exercised was HK$2.00.

(3) During the year, 188,000 share options have lapsed by reason of the grantees ceased to be full time employees of the Group.

(B) SHARE OPTION SCHEMES OF OMG

OMG is an exempted company incorporated in the Cayman Islands with limited liability on 11th March 2005 whose shares have been listed on the Main Board of the Stock Exchange since 18th October 2005 and is a subsidiary of the Company owned as to 62.83% at date of this report.

The pre-IPO share option scheme ("Pre-IPO Scheme") and the post-IPO share option scheme ("Post-IPO Scheme") (together the "OMG Schemes") were conditionally approved and adopted by ordinary resolutions of the shareholders of OMG and the Company on 26th September 2005 ("Adoption Date"). The principal terms of the Pre-IPO Scheme are substantially the same as the terms of the Post-IPO Scheme (where applicable) except for the following principal terms: (a) the subscription price per share of OMG shall be the offer price; and (b) no options will be offered or granted upon the commencement of dealings in the shares of OMG on the Stock Exchange.

Pursuant to the OMG Schemes, the board of OMG may, at its absolute discretion, grant share options to any full time employees, executives and non-executive directors (including independent non-executive directors) of OMG group or the Group (for so long as OMG remains a subsidiary of the Company) to subscribe for shares in OMG subject to the terms and conditions stipulated therein. The purposes of the OMG Schemes are to encourage employees to work towards enhancing the value of OMG and its shares for the benefit of OMG and its shareholders as a whole, and to motivate them to achieve higher levels of good corporate governance.

SHARE OPTION SCHEMES *(Continued)*

(B) SHARE OPTION SCHEMES OF OMG *(Continued)*

(i) Summary of terms:

The maximum number of shares in respect of which options may be granted under the OMG Schemes when aggregated with the maximum number of shares in respect of any options to be granted under any other share option scheme established by OMG (if any) is that number which is equal to 10% of the issued share capital of OMG immediately following the commencement of dealings in the shares of OMG on the Stock Exchange. No employee shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted to such employee in any 12-month period up to the date of the latest grant would exceed 1% of the issued share capital of OMG from time to time.

The period within which an option may be exercised under each of the OMG Schemes will be determined and notified by the board of OMG in its absolute discretion (subject to any vesting periods, if applicable), save that no option may be exercised later than ten years from the date of offer of the option or ten years after the Adoption Date, whichever is earlier. As evidenced by the vesting periods of the options granted under the Pre-IPO Scheme, no option granted under the Pre-IPO Scheme will be exercisable within six months from the listing date of OMG. Save for the number of shares which may be subscribed for pursuant to the exercise of options and the vesting periods of the options granted, each option so granted under the Pre-IPO Scheme has the same terms and conditions.

The offer of a grant of share option may be accepted within 28 days from the date of offer upon payment of a nominal consideration of HK$1.00 by the grantee.

Under each of the OMG Schemes, the subscription price in relation to each option shall be determined by the board of OMG in its absolute discretion, but in any event shall be the highest of: (i) the closing price of the shares of OMG as stated in the Stock Exchange's daily quotation sheet on the date, which must be a business day, of the written offer of the option; (ii) the average closing price of the shares of OMG as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of the grant of such option; and (iii) the nominal value of the shares of OMG.

In relation to each option granted to the grantees, either of the following two vesting scales has been applied:

(1) 20% of the shares comprised in the option will vest on each of the five anniversaries of the OMG listing date from the first anniversary of the listing date to the fifth anniversary of the listing date; or

(2) 100% of the shares comprised in the option will fully vest on the first anniversary of the listing date,

as the case may be, which has been specified in the offer letters to the grantees.

SHARE OPTION SCHEMES *(Continued)*

(B) SHARE OPTION SCHEMES OF OMG *(Continued)*

(ii) As at 31st March 2007, no option has been granted or agreed to be granted by OMG under the Post-IPO Scheme.

During the year, movements of the share options granted under the Pre-IPO Scheme are as follows:

Grantee	Balance at 1st April 2006	Granted during the year	Exercised during the year *(note 2)*	Lapsed during the year *(note 2)*	Balance at 31st March 2007	Percentage of issued ordinary shares of OMG at 31st March 2007	Exercise price per share HK$	Date of grant	Exercisable period
	Number of shares involved in share options								
Directors:									
Tan Sri Datuk TIONG Hiew King *(note 1a)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr TIONG Kiu King *(note 1a)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/09/2005	18/10/2005-25/09/2015
Dr TIONG Ik King *(note 1a)*	1,000,000	–	–	–	1,000,000	0.25%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr TIONG Kiew Chiong *(note 1a)*	1,250,000	–	–	–	1,250,000	0.31%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr TANG Ying Yu *(note 1a)*	150,000	–	–	–	150,000	0.04%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr David YU Hon To *(note 1a)*	150,000	–	–	–	150,000	0.04%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr Victor YANG *(note 1a)*	150,000	–	–	–	150,000	0.04%	1.200	27/09/2005	18/10/2005-25/09/2015
	5,200,000	–	–	–	5,200,000	1.30%			
Full time employees *(note 1a)*	8,100,000	–	–	(250,000)	7,850,000	1.96%	1.200	27/09/2005	18/10/2005-25/09/2015
Full time employees *(note 1b)*	1,172,000	–	–	(140,000)	1,032,000	0.26%	1.200	27/09/2005	18/10/2005-25/09/2015
Total	14,472,000	–	–	(390,000)	14,082,000	3.52%			

Notes:

(1) In relation to each option granted to the grantees, either of the following two vesting scales has been applied:

a. 20% of the OMG's shares comprised in the options will vest on each of the five anniversaries of the OMG listing date from the first anniversary of the listing date to the fifth anniversary of the listing date; or

b. 100% of the OMG's shares comprised in each of the option will fully vest on the first anniversary of the listing date,

as the case may be, which has been specified in the offer letters to the grantees. Subject to the relevant vesting period, each option has a 10-year exercisable period from the date of the offer of the option. As evidenced by the vesting periods of the options granted under the OMG Schemes, no option granted under the OMG Schemes will be exercisable within six months from the listing date.

(2) During the year, 390,000 share options have lapsed by reason of the grantees ceased to be full time employees of OMG and its subsidiaries. No share option was exercised or cancelled during the year.

Apart from the above share option schemes, at no time during the year were rights to acquire benefits by means of the acquisition of shares, underlying shares or debentures of the Company granted to any directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company or its holding company or any its subsidiaries or fellow subsidiaries a party to any arrangements to enable the directors of the Company to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's businesses to which the Company, its subsidiaries, its holding company or its fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

PARTICULARS OF INTERESTS HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES

At 31st March 2007, the interests of the directors, chief executives and their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") are as follows:

(A) INTERESTS IN SHARES AND UNDERLYING SHARES IN THE COMPANY

	Number of shares/underlying shares held						
Name of director	**Personal interests**	**Family interests**	**Corporate interests** *(note 1)*	**Total interests in shares**	**Interests in underlying shares pursuant to share options** *(note 2)*	**Aggregate interests**	**Percentage of issued ordinary shares at 31st March 2007**
Tan Sri Datuk TIONG Hiew King	150,000	–	252,487,700	252,637,700	600,000	253,237,700	62.62%
Dr TIONG Ik King	–	–	252,487,700	252,487,700	600,000	253,087,700	62.58%
Mr TIONG Kiu King	611,000	147,000	–	758,000	600,000	1,358,000	0.34%
Mr TIONG Kiew Chiong	1,200,000	–	–	1,200,000	600,000	1,800,000	0.45%

Notes:

(1) The corporate interests of Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King in the Company are jointly held through Conch Company Limited ("Conch") which holds 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.

(2) These represent share options granted by the Company to the relevant directors under the MP Scheme to subscribe for shares of the Company.

PARTICULARS OF INTERESTS HELD BY DIRECTORS, CHIEF EXECUTIVES AND THEIR ASSOCIATES *(Continued)*

(B) INTERESTS IN SHARES AND UNDERLYING SHARES IN OMG

Name of director	Personal interests	Family interests	Corporate interests	Total interests in shares	Interests in underlying shares pursuant to share options *(note)*	Aggregate interests	Percentage of issued ordinary shares of OMG at 31st March 2007
	Number of shares/underlying shares held						
Tan Sri Datuk TIONG Hiew King	–	–	–	–	1,250,000	1,250,000	0.31%
Mr TIONG Kiu King	–	–	–	–	1,250,000	1,250,000	0.31%
Dr TIONG Ik King	–	–	–	–	1,000,000	1,000,000	0.25%
Mr TIONG Kiew Chiong	3,300,000	–	–	3,300,000	1,250,000	4,550,000	1.14%
Mr TANG Ying Yu	–	–	–	–	150,000	150,000	0.04%
Mr David YU Hon To	–	–	–	–	150,000	150,000	0.04%
Mr Victor YANG	–	–	–	–	150,000	150,000	0.04%

Note: These represent share options granted by OMG to the directors of the Company under the Pre-IPO Scheme conditionally approved by the Company and conditionally approved and adopted by OMG on 26th September 2005 to subscribe for shares of OMG.

Save as disclosed above and those disclosed under ''Share Option Schemes'', at 31st March 2007, none of the directors, chief executives and their associates had any interests in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 31st March 2007, the Company had been notified of the following interests in shares representing 5% or more of the Company's issued share capital:

Name of shareholder	Number of ordinary shares held	Percentage of issued ordinary shares at 31st March 2007
Conch Company Limited *(note 1)*	252,487,700	62.43%
Dr Louis CHA *(note 2)*	40,463,400	10.00%

All the interests stated above represent long positions in the shares of the Company.

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

(1) Conch Company Limited ("Conch") owns 252,487,700 shares of the Company. 40% of the interest in Conch is held by Seaview Global Company Limited, a company jointly owned by Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King. In addition, Tan Sri Datuk TIONG Hiew King and Dr TIONG Ik King directly hold 25% and 22% of the interest in Conch respectively.

(2) Dr Louis CHA beneficially owned 38,798,400 shares of the Company and Snowdrop Limited, a company wholly-owned by Dr Louis CHA, owned 1,665,000 shares of the Company. On 25th June 2007, Dr Louis CHA disposed 40,000,400 shares of the Company at HK$1.90 per share.

Save as disclosed above and those disclosed under "Particulars of interests held by directors, chief executives and their associates", the Company had not been notified of any other interests representing 5% or more of the issued share capital of the Company at 31st March 2007.

CONNECTED TRANSACTIONS

During the year, there is neither connected transaction nor continuing connected transaction that is not exempted under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

PENSION SCHEME ARRANGEMENT

The Group operates a hybrid retirement benefit scheme (the "Scheme") and a Mandatory Provident Fund Scheme (the "MPF") for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group's companies and/or employees.

During the year, the Scheme was funded by contributions from both the employees and the Group at 5% each of the monthly basic salaries of the employees. Actual contribution paid by the Group was only 4% of the monthly basic salaries of the employees, the difference was funded from the forfeiture reserve. Forfeited employers' contributions arising from early termination of services by employees are credited to a forfeiture reserve for the purposes of funding the differences in the Group's contributions as aforesaid and for covering any shortfall on the defined benefit plans. The total amount available for such purposes amounted to HK$18,994,000 at 31st March 2007 (31st March 2006: HK$17,274,000).

PENSION SCHEME ARRANGEMENT *(Continued)*

The most recent independent actuarial valuation of the Scheme (the "Valuation") was carried out as at 1st January 2007 by Watson Wyatt Hong Kong Limited, a professionally qualified independent actuary. According to the Valuation, the Scheme was solvent at the date of the Valuation.

With effect from 1st December 2000, all new joiners of the Group are eligible to join the MPF. The Group's contributions to the MPF are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,000 per employee per month (the "MPF Contributions"). The MPF Contributions are fully and immediately vested in the employees as accrued benefit once they are paid.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group purchased less than 30% of its goods and services from its 5 largest suppliers and sold less than 30% of its goods and services to its 5 largest customers.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under the laws in Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

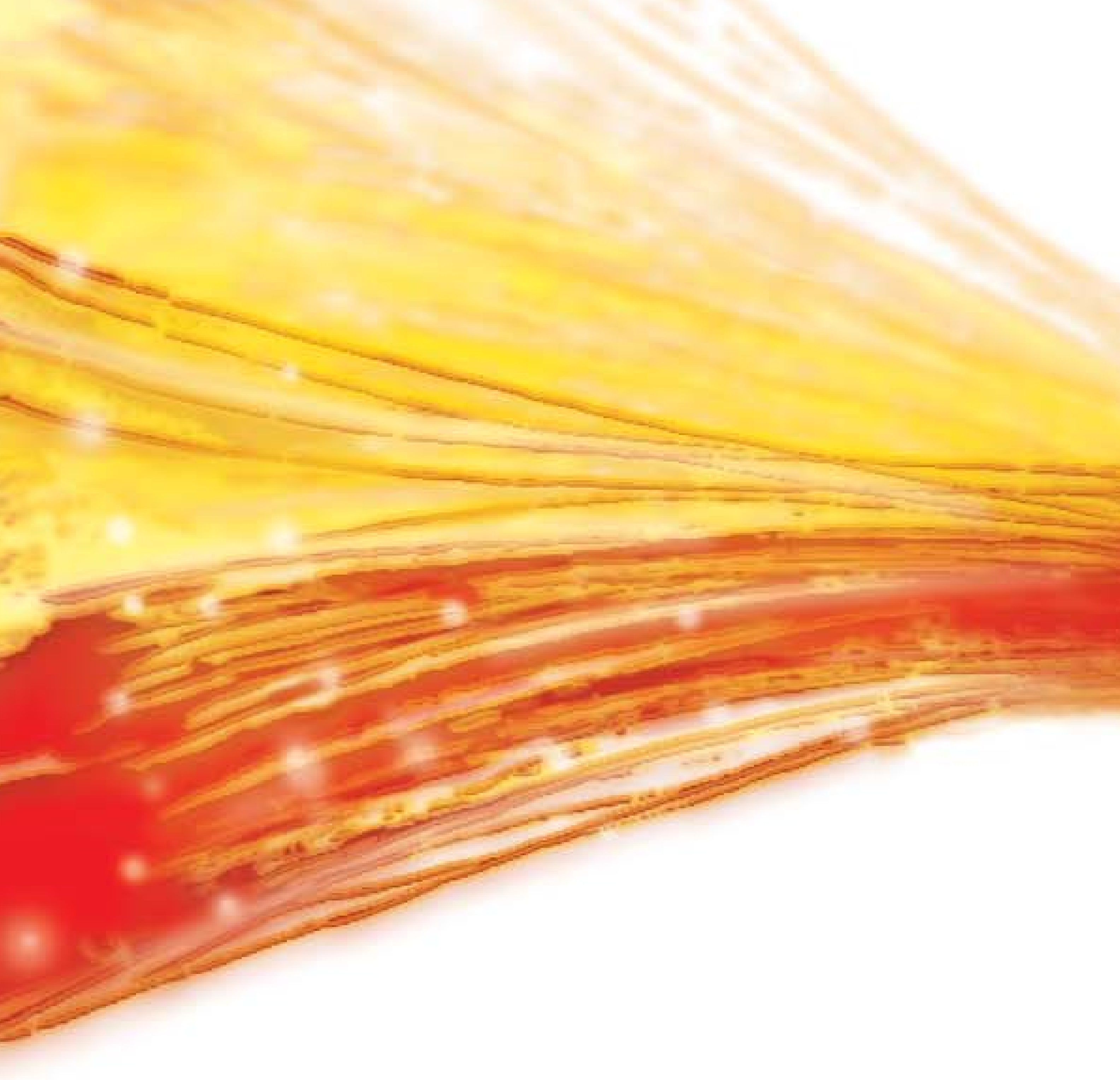
AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

TIONG Kiew Chiong
Chairman

Hong Kong, 13th July 2007



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