



## MING PAO ENTERPRISE CORPORATION LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 685)

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

The directors of Ming Pao Enterprise Corporation Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th September 2006 are as follows:

#### CONSOLIDATED INCOME STATEMENT

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
		<b>2006</b>	<b>2005</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	735,511	660,868
Cost of goods sold		<u>(543,810)</u>	<u>(484,722)</u>
Gross profit		191,701	176,146
Other gains		6,188	3,360
Selling and distribution expenses		(105,972)	(90,818)
Administrative expenses		(68,196)	(63,862)
Other operating expenses, net		<u>(4,889)</u>	<u>(361)</u>
Operating profit	4	18,832	24,465
Finance costs	5	(1,979)	(1,364)
Share of losses of associated companies		<u>—</u>	<u>(2,114)</u>
Profit before income tax		16,853	20,987
Income tax expense	6	<u>(1,759)</u>	<u>(4,660)</u>
Profit for the half-year		<u>15,094</u>	<u>16,327</u>
Attributable to:			
Equity holders of the Company		16,265	15,222
Minority interests		<u>(1,171)</u>	<u>1,105</u>
		<u>15,094</u>	<u>16,327</u>
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents)			
- Basic	7	<u>4.0 cents</u>	<u>3.9 cents</u>
- Diluted	7	<u>4.0 cents</u>	<u>3.9 cents</u>
Dividends	8	<u>(28,314)</u>	<u>(27,566)</u>

## CONSOLIDATED BALANCE SHEET

		(Unaudited) 30th September 2006 HK\$'000	(Audited) 31st March 2006 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		164,828	163,831
Leasehold land and land use rights		109,201	110,557
Intangible assets		68,081	69,133
Defined benefit plan's assets		15,677	15,104
Deferred income tax assets		<u>4,323</u>	<u>671</u>
		<u>362,110</u>	<u>359,296</u>
<b>Current assets</b>			
Inventories		64,912	53,124
Available-for-sale financial assets		4,698	4,698
Financial assets at fair value through profit or loss		1,884	2,085
Trade and other receivables	9	242,861	238,784
Deferred income tax assets		4,876	3,521
Income tax recoverable		8,219	6,476
Bank balances and cash		<u>264,907</u>	<u>308,933</u>
		<u>592,357</u>	<u>617,621</u>
<b>Current liabilities</b>			
Trade and other payables	10	200,864	183,430
Income tax liabilities		4,118	633
Short-term bank loans		3,564	18,964
Bank overdrafts, secured		23,156	20,906
Current portion of long-term liabilities		4,664	5,227
Deferred income tax liabilities		<u>1,525</u>	<u>878</u>
		<u>237,891</u>	<u>230,038</u>
<b>Net current assets</b>		<u>354,466</u>	<u>387,583</u>
<b>Total assets less current liabilities</b>		<u>716,576</u>	<u>746,879</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital		40,441	40,522
Reserves		<u>595,229</u>	<u>593,651</u>
		635,670	634,173
<b>Minority interests</b>		<u>51,953</u>	<u>81,387</u>
<b>Total equity</b>		687,623	715,560
<b>Non-current liabilities</b>			
Long-term liabilities		16,014	17,926
Deferred income tax liabilities		<u>12,939</u>	<u>13,393</u>
		<u>716,576</u>	<u>746,879</u>

Notes:

## 1 Basis of preparation

These unaudited condensed consolidated interim financial statements (“Interim Financial Statements”) for the six months ended 30th September 2006 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

## 2 Accounting policies

The accounting policies used in the preparation of these Interim Financial Statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st March 2006.

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

## 3 Segment information

Primary reporting format - business segments

Analysis of the Group’s turnover and results for the period by business segment is as follows:

	(Unaudited)					
	Six months ended 30th September					
	Publishing		Travel and travel related services		Group	
	2006	2005	2006	2005	2006	2005
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Turnover	<u>435,737</u>	<u>399,255</u>	<u>299,774</u>	<u>261,613</u>	<u>735,511</u>	<u>660,868</u>
Segment results	<u>7,270</u>	<u>15,624</u>	<u>6,570</u>	<u>6,524</u>	13,840	22,148
Interest income					5,888	3,021
Net unallocated expenses					(896)	(704)
Operating profit					<u>18,832</u>	<u>24,465</u>

Secondary reporting format - geographical segments

The Group's two business segments operate in three main geographical areas:

	<b>(Unaudited)</b>		<b>(Unaudited)</b>	
	<b>Turnover</b>		<b>Segment results</b>	
	<b>Six months ended</b>		<b>Six months ended</b>	
	<b>30th September</b>		<b>30th September</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	434,032	393,478	34,937	36,408
North America	272,037	250,019	(7,168)	(5,552)
Mainland China	<u>29,442</u>	<u>17,371</u>	<u>(7,388)</u>	<u>(4,332)</u>
	<u>735,511</u>	<u>660,868</u>	20,381	26,524
Interest income			5,888	3,021
Net unallocated expenses			<u>(7,437)</u>	<u>(5,080)</u>
Operating profit			<u>18,832</u>	<u>24,465</u>

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

#### 4 Operating profit

The following items have been charged to the operating profit during the interim period:

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of inventories sold	100,369	90,612
Amortisation of leasehold land and land use rights	1,356	1,356
Amortisation of intangible assets	1,052	—
Depreciation		
- Owned property, plant and equipment	12,235	12,019
- Leased property, plant and equipment	734	881
Employee benefit expense (including directors' emoluments)	<u>186,750</u>	<u>175,261</u>

#### 5 Finance costs

	<b>(Unaudited)</b>	
	<b>Six months ended</b>	
	<b>30th September</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts	1,715	1,092
Interest element of finance lease payments	<u>264</u>	<u>272</u>
	<u>1,979</u>	<u>1,364</u>

## 6 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the period. Taxation on overseas profits is calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	(Unaudited)	
	Six months ended	
	30th September	
	2006	2005
	HK\$'000	HK\$'000
Hong Kong profits tax		
- Current period	3,868	4,806
- Over provision in prior years	—	(52)
Overseas taxation		
- Current period	2,847	144
- Over provision in prior years	(141)	(366)
Deferred income tax (credit)/expense	<u>(4,815)</u>	<u>128</u>
	<u>1,759</u>	<u>4,660</u>

## 7 Earnings per share

Basic earnings per share is calculated by dividing the Group's unaudited profit attributable to equity holders of the Company for the period of HK\$16,265,000 (2005: HK\$15,222,000) and the weighted average number of 404,969,617 shares (2005: 394,220,639 shares) in issue during the period.

Diluted earnings per share is based on 405,011,191 (2005: 394,513,593) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 41,574 (2005: 292,954) ordinary shares deemed to have been issued at no consideration after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme.

## 8 Dividends

	(Unaudited)	
	Six months ended	
	30th September	
	2006	2005
	HK\$'000	HK\$'000
Final, paid, of HK4 cents (2005: HK4 cents) per ordinary share	16,185	15,761
Interim, declared, of HK3 cents (2005: HK3 cents, paid) per ordinary share	<u>12,129</u>	<u>11,805</u>
	<u>28,314</u>	<u>27,566</u>

The directors have declared an interim dividend of HK3 cents (2005: HK3 cents) per ordinary share payable on 15th January 2007 to shareholders whose names appear on the register of members of the Company on 8th January 2007.

## 9 Trade and other receivables

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

	(Unaudited) 30th September 2006 HK\$'000	(Audited) 31st March 2006 HK\$'000
0 to 60 days	120,355	106,057
61 to 120 days	45,641	44,164
121 to 180 days	23,097	15,895
Over 180 days	5,718	7,319
	<u>194,811</u>	<u>173,435</u>

The Group allows in general a credit period ranging from 7 days to 90 days to its trade customers.

## 10 Trade and other payables

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

	(Unaudited) 30th September 2006 HK\$'000	(Audited) 31st March 2006 HK\$'000
0 to 60 days	77,909	57,114
61 to 120 days	6,332	6,050
121 to 180 days	2,038	2,985
Over 180 days	2,498	428
	<u>88,777</u>	<u>66,577</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

During the six months under review, the Group's top-line results have improved over the corresponding period in 2005 as the consolidated turnover increased by 11% to HK\$735,511,000. The layout of *Ming Pao Daily News*' Hong Kong edition was revamped in September and enjoyed a positive reception from both readers and advertisers. Our recruitment classified section, "JUMP", also contributed to the growth in turnover. Meanwhile, the Canadian editions, through sales drives and subsequent readership growth, have achieved strong increase in advertising revenue. Despite the recent launch of the third Chinese newspaper in Toronto, the *Daily's* Toronto edition has maintained its market share in spite of pricing competition among other newspapers, reaffirming the leadership position of our North American editions and the content-driven readership. Our travel business also performed extremely well with double-digit growth in turnover.

During the interim period, while the economy of Hong Kong has enjoyed a robust performance, the subsequent impact of a tight labour market and high demand for commodities have driven up our operating costs by 13% over the same period of the previous year. A number of expenses have increased, including printing, newsprint and labour. Meanwhile, considerable resources have been invested into the launch and start-up operation of the Group's magazine business via One Media Group. Profit for the half-year has, therefore, decreased by 7.6% to HK\$15,094,000 while earnings per share was HK4 cents.

## **NEWSPAPERS DIVISION**

### ***Ming Pao Daily News***

*Ming Pao Daily News*' Hong Kong edition has continued to secure a loyal readership in spite of a competitive operating environment. During the interim period, we have reviewed the layout and design of the Hong Kong edition of *Ming Pao Daily News*, and unveiled the new look in September. We have strengthened the content of "Wealth & Health" Section as well as invited high-profile columnists as contributors to further enrich the editorial line-up. The revamp has been well received by readers as circulation continued to grow and the impact will be reflected in the soon to be released HKABC figures. The enhanced Finance Section has drawn the attention of readers and opened up new business opportunities in project sponsorships with major finance market players in special topics including wealth and financial planning services.

The overall advertising spending and readership for Hong Kong's newspapers have increased, however, a portion of that growth has been captured by the new free daily newspapers. During the interim period, advertising sales for *Ming Pao Daily News* remained relatively stable, indicating that the impact of free daily newspapers may be bottoming-out.

Operating costs have increased during the interim period which was primarily attributable to newsprint costs, wage levels, and additional promotional expenditure as industry competition has intensified. The impact resulted in a reduction in earnings during the period under review.

### **Overseas Editions of *Ming Pao Daily News***

The overseas editions of *Ming Pao Daily News* achieved a satisfactory performance during the review period. Ongoing enhancement to the layout and content of the overseas editions has contributed to the positive performance. The overseas editions have also been actively engaged in marketing, advertising sales and readership drives.

The Toronto and Vancouver editions have performed well in the first half-year, with turnover growing by 14% and an average editorial and advertisement placement ratio of 50:50. Cost control measures have been effective as expenses were reduced despite increases in both wages and newsprint costs. The Toronto edition has successfully maintained its market share amid intense competition, demonstrating the loyal readership of *Ming Pao Daily News*, strong brand name, and content driven sales.

We have commenced to restructure our US editions in April 2006 and introduced numerous cost control measures during the period. Positive results have begun to reflect in the later part of the review period and further improvements in the editions' results are expected in the second half-year.

### **Mingpao.com**

Mingpao.com has proved its popularity and expanded its demographic, especially amongst Chinese readers living outside of China, with four overseas editions' introduced in April 2006. From Internet-savvy students to the elderly who are gradually picking-up on their computer skills, overall unique visitors have continued to grow. Leveraging on our newspaper editorial team, we also reintroduced our Finance Section to include more personal finance and information on SME financing to capture targeted market segments. Catering to the specific needs of the market, we have also revamped our Education Section to provide enhanced liberal science and English language coverage, as well as established an online community for further business opportunities. Overall revenue from mingpao.com has increased by 4%, and the number of registered users also grew steadily. The Group will continue to enhance the online version with newspaper content and create cross-selling opportunities in order to broaden the reach of mingpao.com and to strengthen advertising revenue.

## **MAGAZINES AND PUBLISHING DIVISION**

### ***Yazhou Zhoukan***

The Group now owns 100% of *Yazhou Zhoukan* and will focus on improving the magazine's content and reach out to previously untapped segments in the market. The performance of *Yazhou Zhoukan* has remained stable during the reporting period and advertising sales recorded a growth of 14% while operating results have improved and are in line with management's expectations.

### **One Media Group**

As a listed entity under the Group, One Media Group ("OMG") reported a consolidated turnover of HK\$103,281,000, representing an increase of 20% compared with the corresponding period last year. The result is attributable to an increase in advertising revenue and circulation as the contributions from OMG's new titles began to bear fruit. As OMG is still in an investment stage of building its publications portfolio, it recorded a loss for half-year of HK\$3,401,000 during the interim period. OMG's additional investment in infrastructure and human capital necessary to acquire market share and solidify a strong foundation accounted for its less than satisfactory results for the period. However, the new titles have established a firm footing in China and made admirable contributions to top-line revenue. Their circulation and advertising growth are poised to produce better results in the future.



The strategic move to publish both tabloid-sized *Ming Pao Weekly* Classic Edition and to introduce the Compact Edition has proved to be a successful endeavor as both have enjoyed an increase in revenue. Meanwhile, *MING* magazine has been established as a popular brand in the lifestyle genre in China just nine months after its initial launch. *Rolling Stone*, an internationally renowned title, has now entered an exciting phase of its development in China as OMG has established a strong working relationship with its new publishing partner. This title is expected to be one of the significant growth drivers for OMG.

## **TRAVEL AND TRAVEL RELATED SERVICES**

The Group's travel agent business recorded a healthy increase in revenue of 15% amidst a highly competitive market environment. Bottom-line profit for the division has remained stable for the review period despite increasing operating costs. Looking ahead, Charming Holidays will focus on developing China routes to target overseas Chinese visiting the Mainland as demand for such services has proved to be increasingly popular and revenue from Mainland-bound travelers is expected to increase.

## **OUTLOOK**

The positive economic conditions in Hong Kong are likely to be sustained in the second half of the financial year and continue in 2007. A favorable economy coupled with our responsive management team will further contribute to bottom-line results going forward. Meanwhile, the Group will continue to pursue innovative marketing strategies and formats to better serve our readers and advertisers while maintaining high-quality content.

Our Canadian editions should continue to achieve satisfactory growth benefiting from a strong local economy. The US editions are anticipated to achieve better results as recent efforts to improve the cost and operating structures are realised.

Revenue from our magazine and publishing division, which includes *Yazhou Zhoukan* and contributions from One Media Group, is also expected to improve now that it is operating with a full team and a solid infrastructure.

## **CAPITAL EXPENDITURE**

The Group's total capital expenditure for property, plant and equipment for the six months ended 30th September 2006 amounted to HK\$11,956,000.

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

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

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

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30th September 2006, the Group's net current assets amounted to HK\$354,466,000 (31st March 2006: HK\$387,583,000) and the total equity attributable to the equity holders of the Company was HK\$635,670,000 (31st March 2006: HK\$634,173,000). Total bank borrowings and finance lease obligations were HK\$41,944,000 (31st March 2006: HK\$57,569,000) and the gearing ratio, which is defined as the ratio of total bank borrowings to the total equity attributable to the equity holders of the Company, was 0.066 (31st March 2006: 0.091).

As at 30th September 2006, the Group's total cash balance was HK\$264,907,000 (31st March 2006: HK\$308,933,000) and net cash position was HK\$222,963,000 (31st March 2006: HK\$251,364,000) after deducting the total bank borrowings.

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

During the period, the Company repurchased a total of 812,000 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		Aggregate purchase consideration HK\$
		Highest HK\$	Lowest 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	<u>177,000</u>	1.40	1.35	<u>243,870</u>
	<u>812,000</u>			<u>1,114,647</u>

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

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

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members will be closed from Tuesday, 2nd January 2007 to Monday, 8th January 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK3 cents per ordinary share, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 29th December 2006.

## **EMPLOYEES AND EMOLUMENT POLICY**

As at 30th September 2006, 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 Group also adopts a share option scheme for its staff of senior grade.

## **CORPORATE GOVERNANCE**

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

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

During the period under review, the Company has met the code provisions as set out in the Code.

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

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

## **REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed with management the unaudited interim financial statements of the Group for the six months ended 30th September 2006, including accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters.

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

Hong Kong, 14th December 2006

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

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