

# 明報

明報企業有限公司

MING PAO ENTERPRISE CORPORATION LIMITED

(Stock Code 股份代號 : 685)

# Interim Report 2006 中期報告



## CONTENTS

*Page*

<b>CHAIRMAN'S STATEMENT</b>	2
<b>CONSOLIDATED INCOME STATEMENT</b>	3
<b>CONSOLIDATED BALANCE SHEET</b>	4
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>	5
<b>CONDENSED CONSOLIDATED CASH FLOW STATEMENT</b>	6
<b>NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS</b>	7
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	14
<b>OTHER INFORMATION</b>	17



## CHAIRMAN'S STATEMENT

I am pleased to announce that the Group has achieved a healthy increase of 11% in top-line revenue for the period under review. In recent months, overall economic growth in the regions in which the Group operates has been impressive. Positive consumer sentiment, low unemployment and robust spending have fueled success in many sectors. These positive factors have contributed to the Group's top-line growth, especially in our advertising and tour businesses. The Group continues to be a dominant global Chinese media player in terms of readership, circulation, and advertising revenues. Our mission is to expand our global reach and further penetrate markets where there is a significant presence of Chinese communities.

Although the Group's profit for the half-year declined in the first half-year due to rising operating costs and additional investment in our magazine business, I am optimistic that the results in the second half of the financial year will improve as the efforts of restructuring our US operations and improvements in our PRC operations will contribute positively to the overall performance.

Our newspaper operation in Hong Kong has successfully maintained a stable advertising spread despite the entrants of free newspapers and increasing competition on advertising rates. During the review period, we have revamped the design and layout of our Hong Kong edition which received very good feedback from readers upon its launch. This demonstrates that the Group is able to continuously bring innovative format with quality content to meet the changing demands of our customers.

In North America, the editions of *Ming Pao Daily News* have enjoyed positive growth and are expected to sustain their momentum which will be fueled by strong consumer demand and a robust economy.

A key factor to the coveted status of the Group, regardless of the operating environment, is its consistent delivery of quality and credible content. The Chinese University of Hong Kong recently conducted a research on the credibility of all newspapers in Hong Kong and I am delighted to inform our shareholders that *Ming Pao Daily News* has again proven itself to be the most credible Chinese newspaper since the first survey was conducted in 1997. The recognition of this status is encouraging to both our employees and the management team, as we have never wavered from our commitment to upholding high journalistic standards. Both our readers and advertisers further validate this sentiment as their loyalty has remained steadfast despite new entrants and increasing competition.

With a strong commitment to the Chinese-language print media industry, our long-term ambition is to become the dominant player by having a scalable operation as a platform to strengthen our international presence. We will remain flexible and responsive to the changing needs of the market and deliver high-quality content that is well-received by the Chinese communities around the world.

**Tan Sri Datuk TIONG Hiew King**

*Chairman*

Hong Kong, 14th December 2006

## CONSOLIDATED INCOME STATEMENT

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:

		<b>(Unaudited)</b>	
		<b>Six months ended</b>	
		<b>30th September</b>	
	<i>Note</i>	<b>2006</b>	2005
		<b>HK\$'000</b>	HK\$'000
Turnover	4	<b>735,511</b>	660,868
Cost of goods sold		<b>(543,810)</b>	(484,722)
Gross profit		<b>191,701</b>	176,146
Other gains		<b>6,188</b>	3,360
Selling and distribution expenses		<b>(105,972)</b>	(90,818)
Administrative expenses		<b>(68,196)</b>	(63,862)
Other operating expenses, net		<b>(4,889)</b>	(361)
Operating profit	5	<b>18,832</b>	24,465
Finance costs	6	<b>(1,979)</b>	(1,364)
Share of losses of associated companies		—	(2,114)
Profit before income tax		<b>16,853</b>	20,987
Income tax expense	7	<b>(1,759)</b>	(4,660)
Profit for the half-year		<b>15,094</b>	16,327
Attributable to:			
Equity holders of the Company		<b>16,265</b>	15,222
Minority interests		<b>(1,171)</b>	1,105
		<b>15,094</b>	16,327
Earnings per share for profit attributable to the equity holders of the Company (expressed in HK cents)			
– Basic	8	<b>4.0 cents</b>	3.9 cents
– Diluted	8	<b>4.0 cents</b>	3.9 cents
Dividends	9	<b>(28,314)</b>	(27,566)

## CONSOLIDATED BALANCE SHEET

AS AT 30TH SEPTEMBER 2006

	Note	(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		4,323	671
		362,110	359,296
<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	10	242,861	238,784
Deferred income tax assets		4,876	3,521
Income tax recoverable		8,219	6,476
Bank balances and cash		264,907	308,933
		592,357	617,621
<b>Current liabilities</b>			
Trade and other payables	11	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	12	4,664	5,227
Deferred income tax liabilities		1,525	878
		237,891	230,038
<b>Net current assets</b>		354,466	387,583
<b>Total assets less current liabilities</b>		716,576	746,879
<b>EQUITY</b>			
<b>Capital and reserves attributable to the equity holders of the Company</b>			
Share capital	13	40,441	40,522
Reserves		595,229	593,651
		635,670	634,173
<b>Minority interests</b>		51,953	81,387
<b>Total equity</b>		687,623	715,560
<b>Non-current liabilities</b>			
Long-term liabilities	12	16,014	17,926
Deferred income tax liabilities		12,939	13,393
		28,953	31,319
		716,576	746,879

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

(Unaudited)  
Attributable to equity holders of the Company

	Share capital	Share premium	Property revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Employee share-based payment reserve	Asset revaluation surplus	Difference arising on consolidation	Reserve arising on consolidation	Accumulated losses	Equity attributable to the equity holders of the Company	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2005	39,442	592,467	33,582	649	3,352	—	—	(22,400)	5,555	(95,860)	556,787	12,318	569,105
Profit for the half-year	—	—	—	—	—	—	—	—	—	15,222	15,222	1,105	16,327
Disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	1,814	1,814
Repurchase of ordinary shares	(60)	(945)	—	60	—	—	—	—	—	(60)	(1,005)	—	(1,005)
Exchange adjustment	—	—	—	—	1,694	—	—	—	—	—	1,694	—	1,694
2004/2005 final dividend paid	—	—	—	—	—	—	—	—	—	(15,761)	(15,761)	—	(15,761)
At 30th September 2005	39,382	591,522	33,582	709	5,046	—	—	(22,400)	5,555	(96,459)	556,937	15,237	572,174
At 1st April 2006	40,522	605,739	33,582	769	3,657	794	20,987	(22,400)	5,555	(55,032)	634,173	81,387	715,560
Profit for the half-year	—	—	—	—	—	—	—	—	—	16,265	16,265	(1,171)	15,094
Repurchase of ordinary shares	(81)	(1,033)	—	81	—	—	—	—	—	(81)	(1,114)	—	(1,114)
Exchange adjustment	—	—	—	—	1,665	—	—	—	—	—	1,665	—	1,665
Share compensation costs on share options granted by a listed subsidiary	—	—	—	—	—	866	—	—	—	—	866	—	866
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	—	—	(17)	(17)
Gain on disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(27,854)	(27,854)
2005/2006 final dividend paid	—	—	—	—	—	—	—	—	—	(16,185)	(16,185)	—	(16,185)
2005/2006 final dividend paid by a listed subsidiary	—	—	—	—	—	—	—	—	—	—	—	(392)	(392)
At 30th September 2006	40,441	604,706	33,582	850	5,322	1,660	20,987	(22,400)	5,555	(55,033)	635,670	51,953	687,623



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30TH SEPTEMBER 2006

(Unaudited)  
Six months ended  
30th September

	2006 HK\$'000	2005 HK\$'000
Net cash (used in)/generated from operating activities	(4,380)	28,648
Net cash (used in)/generated from investing activities	(5,803)	5,488
Net cash (used in)/generated from financing activities	(36,190)	2,725
Net (decrease)/increase in cash and cash equivalents	(46,373)	36,861
Cash and cash equivalents at the beginning of the period	288,027	177,654
Exchange gain on cash and cash equivalents	97	333
Cash and cash equivalents at the end of the period	<u>241,751</u>	<u>214,848</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	264,907	226,573
Bank overdrafts	(23,156)	(11,725)
	<u>241,751</u>	<u>214,848</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Group are the publication of Chinese newspapers, periodicals and books, and the provision of travel and travel related services.

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.

These unaudited condensed consolidated interim financial statements ("Interim Financial Statements") are presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. These Interim Financial Statements have been approved for issue by the Board of Directors on 14th December 2006.

### 2 BASIS OF PREPARATION

These 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.

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

### 3 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4 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 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
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>	<u>13,840</u>	<u>22,148</u>
Interest income					5,888	3,021
Net unallocated expenses					<u>(896)</u>	<u>(704)</u>
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:

	(Unaudited) Turnover Six months ended 30th September		(Unaudited) Segment results Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Hong Kong	434,032	393,478	34,937	36,408
North America	272,037	250,019	(7,168)	(5,552)
Mainland China	29,442	17,371	(7,388)	(4,332)
	<u>735,511</u>	<u>660,868</u>	<u>20,381</u>	<u>26,524</u>
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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5 OPERATING PROFIT

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

	(Unaudited) Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
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)	186,750	175,261
	<u>186,750</u>	<u>175,261</u>

### 6 FINANCE COSTS

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

### 7 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 HK\$'000	2005 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	(4,815)	128
	<u>1,759</u>	<u>4,660</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 8 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.

### 9 DIVIDENDS

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

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.

### 10 TRADE AND OTHER RECEIVABLES

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

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

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11 TRADE AND OTHER PAYABLES

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

	<b>(Unaudited)</b> <b>30th September</b> <b>2006</b> <b>HK\$'000</b>	(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>

### 12 LONG-TERM LIABILITIES

	<b>(Unaudited)</b> <b>30th September</b> <b>2006</b> <b>HK\$'000</b>	(Audited) 31st March 2006 HK\$'000
Bank loans, secured	8,275	9,018
Obligations under finance leases	6,949	8,681
Provision for long service payments	5,454	5,454
	<u>20,678</u>	<u>23,153</u>
Current portion of long-term liabilities	(4,664)	(5,227)
	<u>16,014</u>	<u>17,926</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12 LONG-TERM LIABILITIES (Continued)

As at 30th September 2006, the Group's bank loans (secured) and obligations under finance leases were repayable as follows:

	Bank loans (secured)		Finance lease liabilities (note)	
	(Unaudited) 30th September 2006 HK\$'000	(Audited) 31st March 2006 HK\$'000	(Unaudited) 30th September 2006 HK\$'000	(Audited) 31st March 2006 HK\$'000
Within the first year	1,972	1,910	2,692	3,317
In the second year	2,037	1,975	2,497	2,622
In the third to fifth year	3,056	3,699	1,760	2,742
After the fifth year	1,210	1,434	—	—
	<b>8,275</b>	<b>9,018</b>	<b>6,949</b>	<b>8,681</b>

Note: As at 30th September 2006, future finance charges on obligations under finance leases were HK\$436,000 (31st March 2006: HK\$610,000).

### 13 SHARE CAPITAL

	(Unaudited) 30th September 2006 HK\$'000	(Audited) 31st March 2006 HK\$'000
Authorised:		
500,000,000 ordinary shares of HK\$0.1 each At 30th September 2006 and 31st March 2006	<b>50,000</b>	50,000

	(Unaudited) 30th September 2006		(Audited) 31st March 2006	
	Number of ordinary shares	HK\$'000	Number of ordinary shares	HK\$'000
Issued and fully paid:				
At 1st April 2006 and 1st April 2005	405,230,000	40,522	394,431,000	39,442
Repurchase of ordinary shares	(812,000)	(81)	(1,201,000)	(120)
Issue of ordinary shares	—	—	12,000,000	1,200
At 30th September 2006 and 31st March 2006	<b>404,418,000</b>	<b>40,441</b>	<b>405,230,000</b>	<b>40,522</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14 RELATED PARTY TRANSACTIONS

#### (a) Transactions with related parties

	(Unaudited) Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Rental income received from an associated company	—	200
Charges for administrative and management services, EDP support and equipment rental received from an associated company	—	1,009
Interest income received from an associated company	—	485
Printing and advertising charges received from an associated company	—	251
Advertising charges paid to an associated company	—	63
	<u>          </u>	<u>          </u>

#### (b) Key management compensation

	(Unaudited) Six months ended 30th September	
	2006 HK\$'000	2005 HK\$'000
Basic salaries, other allowances and benefits in kind	3,218	3,211
Contributions to pension scheme	141	141
Share compensation costs on share options granted by a listed subsidiary	147	—
	<u>3,506</u>	<u>3,352</u>

#### (c) Related party balances

As at 30th September 2006, the outstanding loan due from Mr KAM Woon Ting, Keith, a director of certain subsidiaries of the Company, amounted to HK\$610,000 (31st March 2006: HK\$669,000). The loan was unsecured, interest-bearing at 4% (2005: 3%) per annum and repayable by monthly installments. The maximum amount outstanding during the period was HK\$669,000. No interest was due for the amounts outstanding as at 30th September 2006 and 31st March 2006.



### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### NEWSPAPERS DIVISION (Continued)

#### 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 magazines 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.

## OTHER INFORMATION

### 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.

### CONTINGENT LIABILITIES

As at 30th September 2006, the Company had contingent liabilities in respect of guarantees issued in favour of certain of its subsidiaries totalling HK\$170,930,000 (31st March 2006: HK\$164,866,000) in connection with general banking facilities granted to those subsidiaries. As at 30th September 2006, total facilities utilised amounted to HK\$43,953,000 (31st March 2006: HK\$56,424,000).

### PLEDGE OF ASSETS

As at 30th September 2006, certain machinery and printing equipment, land and buildings and assets of certain subsidiaries with an aggregate value of HK\$297,981,000 were pledged to banks to secure general banking facilities.

### 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 of the economic environment 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.

## SHARE OPTION SCHEMES

Details of share options granted to certain directors and full time employees of the Group under the share option scheme (the “MP Scheme”) of the Company and the Pre-IPO Scheme of its subsidiary, OMG, are as follows:

### (a) Share option scheme of the Company

Pursuant to the MP Scheme approved at a special general meeting of the Company held on 21st August 2001, 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 of the Company subject to the terms and conditions stipulated therein.

During the period, movements of the share options granted under the MP Scheme are as follows:

Grantees	Number of shares involved in share options				Percentage of issued ordinary shares		Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2006	Granted during the period	Exercised during the period	Lapsed during the period (note)	Balance at 30th September 2006	at 30th September 2006			
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
	<u>2,400,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,400,000</u>	<u>0.592%</u>			
Full time employees	1,757,000	—	—	(30,000)	1,727,000	0.427%	1.592	31/08/2001	01/09/2001-20/08/2011
Full time employees	1,010,000	—	—	(30,000)	980,000	0.243%	1.320	29/08/2003	30/08/2003-20/08/2011
	<u>5,167,000</u>	<u>—</u>	<u>—</u>	<u>(60,000)</u>	<u>5,107,000</u>	<u>1.262%</u>			

Note: During the period, 60,000 share options have lapsed by reason of the grantees ceased to be full time employees of the Company or its subsidiaries.

## OTHER INFORMATION

### SHARE OPTION SCHEMES (Continued)

#### (b) Pre-IPO Scheme 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 62.81% at date of this report.

Pursuant to the Pre-IPO Scheme conditionally approved at a special general meeting of the Company held on 26th September 2005 and conditionally approved and adopted by ordinary resolutions of the shareholders of OMG on the same date, options have been granted to certain directors and full time employees of the Company, OMG and their respective subsidiaries to subscribe for shares of OMG subject to the terms and conditions stipulated therein.

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

Grantees	Number of shares involved in share options				Balance at 30th September 2006	Percentage of issued ordinary shares of OMG at 30th September 2006	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2006	Granted during the period	Exercised during the period	Lapsed during the period (note)					
Directors:									
Tan Sri Datuk TIONG Hiew King	1,250,000	—	—	—	1,250,000	0.31%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr TIONG Kiu King	1,250,000	—	—	—	1,250,000	0.31%	1.200	27/09/2005	18/10/2005-25/09/2015
Dr TIONG Ik King	1,000,000	—	—	—	1,000,000	0.25%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr TIONG Kiew Chiong	1,250,000	—	—	—	1,250,000	0.31%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr David YU Hon To	150,000	—	—	—	150,000	0.04%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr TANG Ying Yu	150,000	—	—	—	150,000	0.04%	1.200	27/09/2005	18/10/2005-25/09/2015
Mr Victor YANG	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	9,272,000	—	—	(222,000)	9,050,000	2.26%	1.200	27/09/2005	18/10/2005-25/09/2015
Total	14,472,000	—	—	(222,000)	14,250,000	3.56%			

Note: During the period, 222,000 share options have lapsed by reason of the grantees ceased to be full time employees of OMG or its subsidiaries.



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

As at 30th September 2006, the interests and short positions 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”)) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) are as follows:

### (a) Interests in shares and underlying shares in the Company

Name of director	Number of shares/underlying shares held						Percentage of issued ordinary shares at 30th September 2006
	Personal interests	Family interests	Corporate interests (note 1)	Total interests in shares	Interests in underlying shares pursuant to share options (note 2)	Aggregate interests	
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 directors under the MP Scheme to subscribe for shares of the Company.

## OTHER INFORMATION

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

#### (b) Interests in shares and underlying shares in OMG

Name of director	Number of shares/underlying shares held						Percentage of issued ordinary shares of OMG at 30th September 2006
	Personal interests	Family interests	Corporate interests	Total interests in shares	Interests in underlying shares pursuant to share options <i>(note)</i>	Aggregate interests	
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	3,100,000	—	—	3,100,000	1,250,000	4,350,000	1.09%
Mr David YU Hon To	—	—	—	—	150,000	150,000	0.04%
Mr TANG Ying Yu	—	—	—	—	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 30th September 2006, none of the directors, chief executives and their associates had any interests and short positions 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the share option schemes, at no time during the period 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 of 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.

## SUBSTANTIAL SHAREHOLDERS

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that at 30th September 2006, 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 30th September 2006
Conch Company Limited ( <i>note 1</i> )	252,487,700	62.43%
Dr Louis CHA ( <i>note 2</i> )	40,463,400	10.01%

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

Notes:

- 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.
- Dr Louis CHA beneficially owns 38,798,400 shares of the Company and Snowdrop Limited, a company wholly owned by Dr Louis CHA, owns 1,665,000 shares of the Company.

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 30th September 2006.

## 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	177,000	1.40	1.35	243,870
	812,000			1,114,647

## OTHER INFORMATION

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES** (Continued)

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.

### **AUDIT COMMITTEE**

The Company's Audit Committee has been established since 1999 and is composed of the three independent non-executive directors, Mr TANG Ying Yu, Mr David YU Hon To and Mr Victor YANG.

The Audit Committee meets regularly with the management and the external auditors to discuss the audit process and accounting issues, and reviews the effectiveness of internal controls. The written terms of reference which specify the authorities and duties of the Audit Committee are regularly reviewed and updated by the Board.

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

### REMUNERATION COMMITTEE

The Company's Remuneration Committee was established on 25th May 2005 with specific terms of reference that specify its authorities and duties. The current members of the committee are the Company's three independent non-executive directors, Mr TANG Ying Yu, Mr David YU Hon To and Mr Victor YANG, and an executive director, Mr TIONG Kiew Chiong. The Remuneration Committee is responsible for the review of the Company's policies for the remuneration of its directors and senior management and the making of any recommendations in relation to such policies to the Board.

### NOMINATION COMMITTEE

The Company's Nomination Committee was established on 25th May 2005 with specific terms of reference that specify its authorities and duties. The current members of the committee are the Company's three independent non-executive directors, Mr TANG Ying Yu, Mr David YU Hon To and Mr Victor YANG, and an executive director, Mr TIONG Kiew Chiong. The Nomination Committee's responsibilities include reviewing the structure, size and composition of the Board on a regular basis and making recommendations to the Board regarding any proposed changes.

### 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.

By Order of the Board

**TIONG Kiew Chiong**

*Director*

Hong Kong, 14th December 2006

# 明報

明報企業有限公司

MING PAO ENTERPRISE CORPORATION LIMITED

---

香港柴灣嘉業街18號明報工業中心A座15樓  
15/F, Block A, Ming Pao Industrial Centre,  
18 Ka Yip Street, Chai Wan, Hong Kong  
電話 Tel: 2595 3111  
圖文傳真 Fax: 2898 2691  
網址 Website: <http://www.mingpao.com>