

Interim Report



明報

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

Stock Code : 685

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CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

For the six months ended 30th September 2007

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 2007 are as follows:

		(Unaudited) Six months ended 30th September	
	Note	2007 HK\$'000	2006 HK\$'000
Revenue	4	777,937	735,511
Cost of goods sold		(579,163)	(543,810)
Gross profit		198,774	191,701
Other income		8,168	7,463
Other gains, net		4,480	3,132
Selling and distribution expenses		(107,921)	(105,972)
Administrative expenses		(70,369)	(68,196)
Other operating expenses		(10,037)	(9,296)
Operating profit	5	23,095	18,832
Finance costs	6	(1,444)	(1,979)
Profit before income tax		21,651	16,853
Income tax expense	7	(6,758)	(1,759)
Profit for the six months		<u>14,893</u>	<u>15,094</u>
Attributable to:			
Equity holders of the Company		14,281	16,265
Minority interests		612	(1,171)
		<u>14,893</u>	<u>15,094</u>
Earnings per share for profit attributable to the equity holders of the Company, expressed in HK cents			
– Basic	8	<u>3.5 cents</u>	<u>4.0 cents</u>
– Diluted	8	<u>3.5 cents</u>	<u>4.0 cents</u>
Dividends	9	<u>(8,056)</u>	<u>(28,314)</u>

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

As at 30th September 2007

		(Unaudited) 30th September 2007 <u>HK\$'000</u>	(Audited) 31st March 2007 <u>HK\$'000</u>
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		162,997	158,835
Leasehold land and land use rights		106,490	107,845
Intangible assets		65,976	67,028
Financial assets at fair value through profit or loss		–	7,552
Defined benefit plan's assets		11,148	11,028
Deferred income tax assets		9,127	10,594
		<u>355,738</u>	<u>362,882</u>
Current assets			
Inventories		37,706	56,862
Available-for-sale financial assets		4,698	4,698
Financial assets at fair value through profit or loss		2,318	1,957
Trade and other receivables	10	273,350	232,544
Income tax recoverable		1,589	4,697
Cash and cash equivalents		301,500	277,760
		<u>621,161</u>	<u>578,518</u>
Current liabilities			
Trade and other payables	11	209,038	198,075
Income tax liabilities		5,366	3,190
Short-term bank loans		–	6,711
Bank overdrafts, secured		21,966	19,695
Current portion of long-term liabilities	12	5,159	6,091
		<u>241,529</u>	<u>233,762</u>
Net current assets		<u>379,632</u>	<u>344,756</u>
Total assets less current liabilities		<u>735,370</u>	<u>707,638</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	40,423	40,443
Share premium	13	104,282	104,737
Other reserves	14	20,391	11,256
Retained earnings	14		
– Proposed dividend		8,056	–
– Others		481,171	474,987
		<u>654,323</u>	<u>631,423</u>
Minority interests		<u>56,500</u>	<u>55,382</u>
Total equity		<u>710,823</u>	<u>686,805</u>
Non-current liabilities			
Long-term liabilities	12	9,365	6,263
Deferred income tax liabilities		15,182	14,570
		<u>735,370</u>	<u>707,638</u>

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the six months ended 30th September 2007

		(Unaudited)	
		Six months ended	
		30th September	
		2007	2006
	Note	<u>HK\$'000</u>	<u>HK\$'000</u>
Currency translation differences	14	<u>8,670</u>	<u>1,665</u>
Net income recognised directly in equity		8,670	1,665
Profit for the six months	14	<u>14,893</u>	<u>15,094</u>
Total recognised income for the six months		<u>23,563</u>	<u>16,759</u>
Attributable to:			
Equity holders of the Company		22,544	17,930
Minority interests		<u>1,019</u>	<u>(1,171)</u>
		<u>23,563</u>	<u>16,759</u>

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

For the six months ended 30th September 2007

	(Unaudited)	
	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	23,082	(4,380)
Net cash generated from/(used in) investing activities	3,033	(5,803)
Net cash used in financing activities	(6,508)	(36,190)
	19,607	(46,373)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	258,065	288,027
Net cash and cash equivalents at the beginning of the period	1,862	97
Exchange gain on cash and cash equivalents	279,534	241,751
Cash and cash equivalents and bank overdrafts at the end of the period	279,534	241,751
Analysis of the balances of cash and cash equivalents and bank overdrafts		
Cash and cash equivalents	301,500	264,907
Bank overdrafts	(21,966)	(23,156)
	279,534	241,751

The notes on pages 6 to 14 form an integral part of this condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

This unaudited condensed consolidated interim financial information ("Interim Financial Information") is presented in thousands of Hong Kong dollars (HK\$'000), unless otherwise stated. This Interim Financial Information has been approved for issue by the Board of Directors on 17th December 2007.

2 BASIS OF PREPARATION

The Interim Financial Information for the six months ended 30th September 2007 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

This Interim Financial Information should be read in conjunction with the Group's annual financial statements for the year ended 31st March 2007.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the annual financial statements for the year ended 31st March 2007 with the addition of the following new standards and interpretations to existing standards which are relevant to the Group's operations and are mandatory for the financial year ending 31st March 2008.

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. The Group has applied IFRS 7 from 1st April 2007 to comply with the new disclosure requirement. The adoption of this standard does not result in material changes to the Group's results of operations and financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

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 has applied IFRIC-Int 10 from 1st April 2007 to comply with the new interpretation. The adoption of this interpretation does not result in material changes to the Group's results of operations and financial position.

There is also a number of new standards, amendments to standards and interpretations issued that are not yet effective for the financial year ending 31st March 2008. The Group has carried out a preliminary assessment of these standards, amendments and interpretations and considered that IAS 23 (Revised) and IFRIC-Int 12 may not have any significant impact on the Group's results of operations and financial position but a detailed assessment is still being carried on. The Group is also in the process of assessing the impact of IFRS 8, IFRIC-Int 13 and IFRIC-Int 14.

4 SEGMENT INFORMATION

Primary reporting format – business segments

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

	(Unaudited)					
	Six months ended 30th September					
	Publishing		Travel and travel related services		Group	
2007	2006	2007	2006	2007	2006	
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Revenue	<u>441,673</u>	435,737	<u>336,264</u>	299,774	<u>777,937</u>	735,511
Segment results	<u>7,434</u>	7,270	<u>10,203</u>	6,570	<u>17,637</u>	13,840
Interest income					<u>6,251</u>	5,888
Net unallocated expenses					<u>(793)</u>	(896)
Operating profit					<u>23,095</u>	18,832
Finance costs					<u>(1,444)</u>	(1,979)
Profit before income tax					<u>21,651</u>	16,853
Income tax expense					<u>(6,758)</u>	(1,759)
Profit for the six months					<u>14,893</u>	15,094

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

Secondary reporting format – geographical segments

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

	(Unaudited) Revenue		(Unaudited) Segment results	
	Six months ended		Six months ended	
	30th September		30th September	
	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	463,715	434,032	36,268	34,937
North America	289,818	272,037	(3,252)	(7,168)
Mainland China	24,404	29,442	(8,979)	(7,388)
	<u>777,937</u>	<u>735,511</u>	24,037	20,381
Interest income			6,251	5,888
Net unallocated expenses			(7,193)	(7,437)
Operating profit			23,095	18,832
Finance costs			(1,444)	(1,979)
Profit before income tax			21,651	16,853
Income tax expense			(6,758)	(1,759)
Profit for the six months			<u>14,893</u>	<u>15,094</u>

5 OPERATING PROFIT

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

	(Unaudited)	
	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
Raw materials and consumables used	107,569	113,679
Amortisation of leasehold land and land use rights	1,355	1,356
Amortisation of intangible assets	1,052	1,052
Depreciation		
– Owned property, plant and equipment	13,070	12,235
– Leased property, plant and equipment	560	734
Employee benefit expense (including directors' emoluments)	197,145	186,750

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 FINANCE COSTS

	(Unaudited) Six months ended 30th September	
	2007	2006
	<u>HK\$'000</u>	<u>HK\$'000</u>
Interest on bank loans and overdrafts	1,124	1,715
Interest element of finance lease payments	<u>320</u>	<u>264</u>
	<u>1,444</u>	<u>1,979</u>

7 INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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	
	2007	2006
	<u>HK\$'000</u>	<u>HK\$'000</u>
Hong Kong profits tax		
– Current period	3,736	3,868
– Over provision in prior years	(2)	–
Overseas taxation		
– Current period	945	2,847
– Over provision in prior years	–	(141)
Deferred income tax expense/(credit)	<u>2,079</u>	<u>(4,815)</u>
	<u>6,758</u>	<u>1,759</u>

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\$14,281,000 (2006: HK\$16,265,000) by the weighted average number of 404,481,224 (2006: 404,969,617) ordinary shares in issue during the period.

Diluted earnings per share is based on 405,368,036 (2006: 405,011,191) ordinary shares which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of 886,812 (2006: 41,574) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 DIVIDENDS

	(Unaudited) Six months ended 30th September	
	2007	2006
	<u>HK\$'000</u>	<u>HK\$'000</u>
Final, Nil (2006: HK4 cents per ordinary share, paid)	–	16,185
Interim, declared, of HK2 cents per ordinary share (2006: HK3 cents per ordinary share, paid)	<u>8,056</u>	<u>12,129</u>
	<u>8,056</u>	<u>28,314</u>

The board of directors have declared an interim dividend of HK2 cents (2006: HK3 cents) per ordinary share payable on 15th January 2008 to shareholders whose names appear on the register of members of the Company on 8th January 2008.

10 TRADE AND OTHER RECEIVABLES

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

	(Unaudited) 30th September	(Audited) 31st March
	2007	2007
	<u>HK\$'000</u>	<u>HK\$'000</u>
0 to 60 days	135,234	115,061
61 to 120 days	48,019	48,084
121 to 180 days	16,753	14,332
Over 180 days	<u>6,204</u>	<u>8,340</u>
	<u>206,210</u>	<u>185,817</u>

The Group allows in general a credit period ranging from 7 days to 120 days to its trade customers.

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\$642,000 (2006: write back of provision of HK\$148,000) for the impairment of its trade receivables during the period ended 30th September 2007. The loss has been included in selling and distribution expenses in the condensed consolidated interim income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 TRADE AND OTHER PAYABLES

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

	(Unaudited) 30th September 2007 HK\$'000	(Audited) 31st March 2007 HK\$'000
0 to 60 days	76,695	65,317
61 to 120 days	4,676	4,892
121 to 180 days	1,252	1,136
Over 180 days	2,231	2,063
	84,854	73,408

12 LONG-TERM LIABILITIES

	(Unaudited) 30th September 2007 HK\$'000	(Audited) 31st March 2007 HK\$'000
Bank loans, secured	2,719	5,427
Obligations under finance leases	10,348	5,470
Provision for long service payments	1,457	1,457
	14,524	12,354
Current portion of long-term liabilities	(5,159)	(6,091)
	9,365	6,263

As at 30th September 2007, the Group's bank loans (secured) and obligations under finance leases were repayable as follows:

	Bank loans (secured)		Obligations under finance leases (Note)	
	(Unaudited) 30th September 2007 HK\$'000	(Audited) 31st March 2007 HK\$'000	(Unaudited) 30th September 2007 HK\$'000	(Audited) 31st March 2007 HK\$'000
Within the first year	1,444	3,421	3,715	2,670
In the second year	1,275	2,006	2,970	2,100
In the third to fifth year	-	-	3,663	700
	2,719	5,427	10,348	5,470

Note: As at 30th September 2007, future finance charges on obligations under finance leases were HK\$1,156,000 (31st March 2007: HK\$276,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 SHARE CAPITAL

	Authorised share capital	
	Ordinary shares of HK\$0.10 each	
	<i>Number of shares</i>	<i>HK\$'000</i>
At 31st March 2007	<u>500,000,000</u>	<u>50,000</u>
At 30th September 2007 (Note)	<u>2,500,000,000</u>	<u>250,000</u>

	Number of ordinary shares issued	Issued share capital	Share premium	Total
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st April 2006	405,230,000	40,522	605,739	646,261
Repurchase of ordinary shares	(931,000)	(93)	(1,190)	(1,283)
Exercise of share options	136,000	14	188	202
Transfer to reserve	<u>–</u>	<u>–</u>	<u>(500,000)</u>	<u>(500,000)</u>
Balance at 31st March 2007	404,435,000	40,443	104,737	145,180
Repurchase of ordinary shares	(416,000)	(41)	(740)	(781)
Exercise of share options	<u>206,000</u>	<u>21</u>	<u>285</u>	<u>306</u>
Balance at 30th September 2007	<u>404,225,000</u>	<u>40,423</u>	<u>104,282</u>	<u>144,705</u>

Note: Pursuant to an ordinary resolution passed at a special general meeting of the Company held on 27th June 2007, the authorised share capital of the Company was increased from HK\$50,000,000 divided into 500,000,000 ordinary shares of HK\$0.10 each to HK\$250,000,000 divided into 2,500,000,000 ordinary shares by creating additional 2,000,000,000 ordinary shares of HK\$0.10 each.

NOTES TO THE CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

14 RESERVES

	Other Reserves										
	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	Reserve arising from actuarial adjustments on defined benefit plan's assets HK\$'000	Reserve arising from actuarial adjustments on long service payment obligations HK\$'000	Sub-total HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Minority interests HK\$'000	Total HK\$'000
Balance at 1st April 2006	769	3,657	794	20,987	(16,845)	(5,099)	2,777	7,040	(20,311)	80,818	67,547
Currency translation differences	-	1,665	-	-	-	-	-	1,665	-	-	1,665
Net income recognised directly in equity	-	1,665	-	-	-	-	-	1,665	-	-	1,665
Profit for the six months	-	-	-	-	-	-	-	-	16,265	(1,171)	15,094
Total recognised income/(expense) for the six months	-	1,665	-	-	-	-	-	1,665	16,265	(1,171)	16,759
Repurchase of ordinary shares	81	-	-	-	-	-	-	81	(81)	-	-
Share compensation costs on share options granted by a listed subsidiary	-	-	544	-	-	-	-	544	-	322	866
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	(17)	(17)
Gain on disposal of partial interests in subsidiaries	-	-	-	-	-	-	-	-	-	(27,854)	(27,854)
2005/2006 final dividend paid by a listed subsidiary	-	-	-	-	-	-	-	-	-	(392)	(392)
2005/2006 final dividend paid	-	-	-	-	-	-	-	-	(16,185)	-	(16,185)
Balance at 30th September 2006	850	5,322	1,338	20,987	(16,845)	(5,099)	2,777	9,330	(20,312)	51,706	40,724
Balance at 1st April 2007	862	5,607	2,125	20,987	(16,845)	(5,839)	4,359	11,256	474,987	55,382	541,625
Currency translation differences	-	8,263	-	-	-	-	-	8,263	-	407	8,670
Net income recognised directly in equity	-	8,263	-	-	-	-	-	8,263	-	407	8,670
Profit for the six months	-	-	-	-	-	-	-	-	14,281	612	14,893
Total recognised income for the six months	-	8,263	-	-	-	-	-	8,263	14,281	1,019	23,563
Repurchase of ordinary shares	41	-	-	-	-	-	-	41	(41)	-	-
Share compensation costs on share options granted by a listed subsidiary	-	-	831	-	-	-	-	831	-	491	1,322
2006/2007 final dividend paid by a listed subsidiary	-	-	-	-	-	-	-	-	-	(392)	(392)
Balance at 30th September 2007	903	13,870	2,956	20,987	(16,845)	(5,839)	4,359	20,391	489,227	56,500	566,118

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 RELATED PARTY TRANSACTIONS

(a) Key management compensation

	(Unaudited)	
	Six months ended	
	30th September	
	2007	2006
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	6,318	6,121
Contributions to pension scheme	204	199
Share compensation costs on share options granted by a listed subsidiary	718	332
	<u>7,240</u>	<u>6,652</u>

(b) Related party balances

As at 30th September 2007, the outstanding loan due from Mr KAM Woon Ting, Keith, a director of certain subsidiaries of the Company, amounted to HK\$491,000 (31st March 2007: HK\$551,000). The loan was unsecured, interest-bearing at 4.5% (2006: 4%) per annum and repayable by monthly installments. The maximum amount outstanding during the period was HK\$551,000. No interest was due for the amounts outstanding as at 30th September 2007 and 31st March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OVERVIEW

For the six months ended 30th September 2007, the Group recorded a 6% increase in top-line revenue to HK\$777,937,000, compared to the same period in 2006. The increase was mainly attributable to the growth in advertising income and revenues from the Group's tour business.

The Group achieved an operating profit of HK\$23,095,000 for the period under review. This represented a strong increase of 23% over the HK\$18,832,000 for the corresponding period in 2006. The bulk of the profit improvement came from the improved performance by One Media Group ("OMG"), which achieved a moderate, yet important turnaround and posted a profit before income tax of HK\$3,341,000 for the six months ended 30th September 2007 compared to a loss before income tax of HK\$3,193,000 over the same period in 2006. The Group's tour business and the Canadian newspaper editions were also key contributors to the increased profits. In addition to the continued keen competition from free daily newspapers and other local newspapers, the Hong Kong edition also faced increasing pressures from rising operating and labour costs. This led to a slight reduction in its profit contribution to the Group for the period.

Income tax expense for the current period was higher than that of the corresponding period by about HK\$5 million, caused mainly by the recognition in the corresponding period of a one-off deferred tax credit of HK\$5.2 million in relation to the Group's Internet business. As a result, current period's profit attributable to the Company's equity holders of HK\$14,281,000 was lower than that of last year's HK\$16,265,000. Earnings per share was HK3.5 cents (2006: HK4.0 cents).

NEWSPAPERS AND INTERNET DIVISION

Ming Pao Daily News

Hong Kong's economy continues its robust performance during the interim period. With a low unemployment rate and positive market sentiment, consumer spending grew significantly. This led to an increase in overall advertising spending and readership for the newspaper market. However, the free daily newspapers captured a portion of the advertising pie and competition in the market remained keen during the period.

Ming Pao Daily News remains the Group's major income source. With its quality content and solid reputation, *Ming Pao Daily News* was able to maintain stable growth momentum in advertising revenue, especially from banking, finance, education and brand labels segments, despite the competitive pressure from the free daily newspapers. Its recruitment classified section, "JUMP", also experienced a healthy increase in turnover. In addition, *Ming Pao Daily News'* circulation has remained fairly stable over the six-month period under review.

The robust economic conditions in Hong Kong also led to upward pressure on all operating costs and wages, even though the lower newsprint costs during the period managed to offset part of the increase.

Overseas Editions of Ming Pao Daily News

The overseas newspaper operations have made satisfactory progress during the period under review, with combined turnover growing by 3%. The improvement was mainly attributable to the restructuring that has been carried out since last year and the various cost control measures in the North American operations.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group started a free newspaper in San Francisco in February 2007 which was well-received by the readers. Following the success in San Francisco, free newspapers have been launched twice a week in Vancouver and Toronto since May and July respectively. More recently, the New York free daily edition was also launched in October. These free newspapers are found to be well received by the readers as well as the advertisers. These new editions are currently in an investment phase, but with the encouraging initial responses to their launches, it is expected that they will soon generate synergies on the advertising front by offering a bundle of promotion packages with the paid editions.

Mingpao.com

Mingpao.com offers readers quality information, real time news and online education services. In line with the Group's strategy to cater to the specific needs of the market, the portals "mpfinance.com" and "OL.mingpao.com" are continuously being revamped with comprehensive coverage of information on property market, wealth management, cosmetic, fashion and entertainment, targeting young and female readers.

The Group's effort to enhance the content of the online version was welcomed by both readers and advertisers. This followed the Group's cross-media strategy to combine advertising sales of both *Ming Pao Daily News* and mingpao.com. This has brought in more cross-selling opportunities in return and boosted both the Internet revenues and operating profit.

MAGAZINES DIVISION

Yazhou Zhoukan

With the enhancement of its content, *Yazhou Zhoukan* continues to develop in a stable and satisfactory manner. Its advertising revenue during the period achieved a double-digit growth while its circulation revenue grew by a modest 4%. To unlock the magazine's market potential in Hong Kong and Mainland China, the Group has planned to launch a number of marketing activities in the second half of the fiscal year and the local sales team will be further strengthened to focus on business in the Greater China region.

One Media Group ("OMG")

OMG currently publishes *Ming Pao Weekly*, *Hi-Tech Weekly* and *City Children's Weekly* in Hong Kong. It also has the right to sell advertising space in and provide content to magazines in Mainland China, including *Popular Science* 科技新時代, *Top Gear* 汽車測試報告 and *MING* 明日風尚.

For the six months ended 30th September 2007, OMG reported a consolidated turnover of HK\$101,189,000, representing a decrease of 2% compared with the corresponding period last year. Despite the slight drop in turnover, OMG achieved a turnaround from a loss before income tax of HK\$3,193,000 in the same period last year to a profit before income tax of HK\$3,341,000 for the current period. This positive change was attributable to the strategic initiatives implemented by management in an effort to streamline the business and focus on areas that provide positive returns while maintaining effective cost control measures.

Flagship title *Ming Pao Weekly* continues to maintain its popularity among readers as well as advertisers and provides a solid contribution to OMG's results. Advertisers have benefited from both "Compact" and "Classic" editions, as the different platforms allow advertisers to reach a larger and more diverse readership. Meanwhile, *MING* 明日風尚 continues to enjoy its positioning as a leading lifestyle and fashion title in Mainland China.

MANAGEMENT DISCUSSION AND ANALYSIS

TRAVEL AND TRAVEL RELATED SERVICES

Amid the strong economic growth and better consumer sentiment, the Group's travel business continues to perform well with double-digit growth in turnover compared to the same period last year; the segment results recorded an impressive growth of 55% to HK\$10,203,000. This growth was attributable to contributions from European tours benefited by the improved economic climate in Hong Kong as well as revenues from the newly established Shenzhen office. The tour operations in North America also recorded improved results. However, facing the weakening Hong Kong dollar, tight supply of airlines seats, increasing fuel surcharges on airfares and intense market competition, the Group will endeavor to limit operating overhead costs in the coming months in an attempt to maintain its competitiveness in the market.

OUTLOOK

Looking ahead, Hong Kong's economic prospects look positive despite the recent volatility in the stock market and the escalating fuel prices. With the low interest environment, the property market in Hong Kong is expected to maintain its growth momentum. All this will continue to be a strong driver for the advertising market. Meanwhile, the increasing pressure from market competition, high material costs and rising wages will be new challenges for the second half of the fiscal year. In light of these factors, the Group will maintain its strategy of maximising operational efficiency and better utilising resources to enhance its overall profitability.

Encouraged by the positive feedback from readers as well as advertisers for its North American free newspapers launched during the period, management is optimistic about the prospects of the free newspapers and it is expected that they will bring positive contributions to the Group in future.

OMG has managed to turn from a loss to profit. It is notable that this was achieved during a period that is usually not the most favourable for the industry in terms of revenue generation. In view of the strong economic growth, OMG is expected to perform well in the second half of the fiscal year.

The proposed merger between the Company and the two Malaysian listed companies, Sin Chew Media Corporation Berhad and Nanyang Press Holdings Berhad, is progressing on track. This merger is a huge step forward for the Group towards its strategy of forming a global Chinese language multimedia platform. The proposed merger has already been approved by the independent shareholders of the Company and the required listing approval has also been granted by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). The Securities Commission of Malaysia and the Ministry of International Trade and Industry also granted their approvals to the proposed merger in November 2007 subject to the fulfilment of certain conditions. Upon completion of the merger, the Company will be listed on both the Hong Kong Stock Exchange and Bursa Malaysia Securities Berhad. It is believed that the dual listing status will allow investors in both Hong Kong and Malaysia to participate in the equity of the Company, and enhance the profile of the Group amongst international investors.

OTHER INFORMATION

CAPITAL EXPENDITURE

The Group's total capital expenditure for property, plant and equipment for the six months ended 30th September 2007 amounted to HK\$12,471,000.

FINANCIAL GUARANTEES

As at 30th September 2007, the Company issued financial guarantees in favour of certain of its subsidiaries totalling HK\$185,097,000 (31st March 2007: HK\$178,017,000) in connection with general banking facilities granted to those subsidiaries. As at 30th September 2007, total facilities utilised amounted to HK\$38,701,000 (31st March 2007: HK\$39,712,000).

PLEDGE OF ASSETS

As at 30th September 2007, certain machinery and printing equipment, land and buildings and assets of certain subsidiaries with an aggregate value of HK\$305,048,000 (31st March 2007: HK\$288,504,000) were pledged to banks to secure general banking facilities, including the carrying values of machines purchased under finance leases of HK\$15,828,000 as at 30th September 2007 (31st March 2007: HK\$9,162,000).

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 of the economic environment in which these entities operate.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 30th September 2007, the Group's net current assets amounted to HK\$379,632,000 (31st March 2007: HK\$344,756,000) and the total equity attributable to the equity holders of the Company was HK\$654,323,000 (31st March 2007: HK\$631,423,000). Total bank borrowings and finance lease obligations were HK\$35,033,000 (31st March 2007: HK\$37,303,000) 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 0.054 (31st March 2007: 0.059).

As at 30th September 2007, the Group's total cash balance was HK\$301,500,000 (31st March 2007: HK\$277,760,000) and net cash position was HK\$266,467,000 (31st March 2007: HK\$240,457,000) after deducting the total bank borrowings.

OTHER INFORMATION

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				Balance at 30th September 2007	Percentage of issued ordinary shares at 30th September 2007	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2007	Granted during the period (Note 1)	Exercised during the period (Note 2)	Lapsed during the period (Note 3)					
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	1,516,000	-	(118,000)	-	1,398,000	0.346%	1.592	31/08/2001	01/09/2001-20/08/2011
Full time employees	927,000	-	(88,000)	-	839,000	0.208%	1.320	29/08/2003	30/08/2003-20/08/2011
Total	<u>4,843,000</u>	<u>-</u>	<u>(206,000)</u>	<u>-</u>	<u>4,637,000</u>	<u>1.146%</u>			

Notes:

- No share option was granted or cancelled during the period.
- During the period, 118,000 shares and 88,000 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\$1.95.
- No share option lapsed during the period.

OTHER INFORMATION

(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 62.83% 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 2007	Percentage of issued ordinary shares of OMG at 30th September 2007	Exercise price per share HK\$	Date of grant	Exercisable period
	Balance at 1st April 2007	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 TANG Ying Yu	150,000	-	-	-	150,000	0.04%	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 Victor YANG	150,000	-	-	-	150,000	0.04%	1.200	27/09/2005	18/10/2005-25/09/2015
	<u>5,200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,200,000</u>	<u>1.30%</u>			
Full time employees	8,882,000	-	-	(206,000)	8,676,000	2.17%	1.200	27/09/2005	18/10/2005-25/09/2015
Total	<u>14,082,000</u>	<u>-</u>	<u>-</u>	<u>(206,000)</u>	<u>13,876,000</u>	<u>3.47%</u>			

Note: During the period, 206,000 share options have lapsed by reason of the grantees ceased to be full time employees of OMG or its subsidiaries.

OTHER INFORMATION

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

As at 30th September 2007, 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 2007
	Personal interests	Family interests	Corporate interests (Note 1)	Total interests in shares	Interest 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	62.65%
Dr TIONG Ik King	-	-	252,487,700	252,487,700	600,000	253,087,700	62.61%
Mr TIONG Kiu King	611,000	147,000	-	758,000	600,000	1,358,000	0.34%
Mr TIONG Kiew Chiong	1,220,000	-	-	1,220,000	600,000	1,820,000	0.45%

Notes:

- 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.
- These represent share options granted by the Company to the directors under the MP Scheme to subscribe for shares of the Company.

(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 2007
	Personal interests	Family interests	Corporate interests	Total interests in shares	Interest in underlying shares pursuant to share options (Note)	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	3,500,000	-	-	3,500,000	1,250,000	4,750,000	1.19%
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.

OTHER INFORMATION

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

Save as disclosed above and those disclosed under "Share Option Schemes", at 30th September 2007, 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 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 30th September 2007
Conch Company Limited <i>(Note 1)</i>	252,487,700	62.46%
Trophy Asset Management Limited <i>(Note 2)</i>	44,352,000	10.97%

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

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 Trophy Asset Management Limited ("TAML") is wholly-owned by Mr HUNG Kam Biu. TAML is managed by Winnington Capital Limited, an investment manager which is 50% owned by each of Mr HUNG Kam Biu and Ms CHU Jocelyn. In addition, Trophy Fund, which is managed by TAML, beneficially owns 40,502,000 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 2007.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the period, the Company repurchased a total of 416,000 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\$	
September 2007	<u>416,000</u>	1.95	1.81	<u>780,660</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 Wednesday, 2nd January 2008 to Tuesday, 8th January 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend of HK2 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, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 31st December 2007.

EMPLOYEES AND EMOLUMENT POLICY

As at 30th September 2007, the Group has approximately 1,550 employees (31st March 2007: approximately 1,550 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.

OTHER INFORMATION

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.

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 condensed consolidated interim financial information of the Group for the six months ended 30th September 2007.

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.

By Order of the Board
TIONG Kiew Chiong
Director

Hong Kong, 17th December 2007

明報

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