

12. RELATED PARTY TRANSACTIONS

During the period, the Group paid legal fees amounting to approximately HK\$268,000 (six months ended 30.9.2002: HK\$777,000) to Messrs. lu, Lai & Li. Mr. Dominic LAI, an independent non-executive director of the Company, is a senior partner of Messrs. lu, Lai & Li. The transaction prices were considered by the Directors as estimated market value.

13. OUTSTANDING LITIGATIONS

At the balance sheet date, there were several outstanding unresolved litigations that were brought against the Group. All these cases were related to defamation. The Group intends to strongly contest the claims referred to in the above and while the final outcome of the proceedings is uncertain, the Directors are of the opinion that the ultimate liability, if any, will not have a material adverse impact upon the Group's financial position.

14. CAPITAL COMMITMENT

	30.9.2003 HK\$'000	31.3.2003 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	<u>174,016</u>	<u>320,520</u>

RESULTS

The unaudited profits of the Group for the six months ended 30 September 2003 ("Interim Results") amounted to HK\$205,572,000, representing an increase of approximately 2% over HK\$202,368,000 (as restated) for the same period of 2002.

INTERIM DIVIDEND

The Board declared an interim dividend of HK 3 cents per share (six months ended 30.9.2002: HK 3 cents), payable to the shareholders whose names appeared in the Register of Members of the Company on 8 January 2004. The interim dividend will be payable on 12 January 2004.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 January 2004 to 8 January 2004, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend proposed, all transfers accompanied by the relevant certificates must be lodged with the Company's Share Registrar, Friendly Registrars Limited, at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration no later than 4:00 pm on 2 January 2004.

BUSINESS REVIEW

Generally, the Group has achieved promising results during the first half of the year. While many businesses suffered severely during the outbreak of the Severe Acute Respiratory Syndrome (SARS) in Hong Kong from April to June of this year, the Group still recorded better results as compared with the same period last year, which is very encouraging. Dampened by the historic weak spending desire during the outbreak of SARS, most advertisers immediately terminated promotion plans for their commodities. The Group's advertising income was thus significantly affected. In response to this difficult situation, the Group timely introduced preferential advertising packages and, on the other hand, consolidated certain teams and departments in order to achieve the effect of the policy of exploring new sources of income and retrenchment. As soon as SARS was under control in July of this year, the Group immediately diversified its income sources by introducing various new advertising and sales proposals. Advertising income was greatly enhanced, not only making up for the losses sustained during the SARS period, but also recording an increase in advertising income for August and September of 10% and 20% respectively as compared with the figures for the corresponding periods of the previous year. According to an analyst report prepared by a securities company on advertising expenditure during September in the local media market, before preferential discounts, the overall advertising expenditure has recorded a year-to-year growth of 15%. However, the respective advertising income of "Oriental Daily News" and "The Sun" has outnumbered such figure by recording a 27% and 18% growth, while "Apple Daily" and "Next Magazine" only reported an increase of 4% and 1% respectively, signifying that the Group's two newspapers enjoy a much stronger penetrating power over our competitors. In view of the growth in advertising volume of "Oriental Daily News" and "The Sun" at the present pace, we are confident that these two newspapers will be leading even more far ahead of competitors after the coming Christmas Holidays.

"Oriental Daily News" has remained the best-selling newspaper in Hong Kong over the past 27 years based on its readership from all walks of life. With its reader proportion for each spectrum outnumbering that of the second-ranking newspaper, "Oriental Daily News" is renowned as "the newspaper of Hong Kong people". After implementing several layout changes, "Oriental Daily News" is now capable of meeting each and every need of different reader spectrums and various advertisers in terms of its content quality, layout presentation and art design. On 3 December 2003, "Oriental Daily News" recorded an actual sales volume on a single day of 536,537 copies, 156,537 copies or about 41% more than the claimed print-run of 380,000 copies (including wastage, complimentary copies and unsold copies) of "Apple Daily" on that day. "Oriental Daily News" has never prided itself on such encouraging and inspiring performance. It constantly keeps improving its layout presentation and content quality through upgraded art effects. As to advertising income, "Oriental Daily News" has successfully attracted various kinds of commodity advertisements by capitalizing on its extensive readership base. During the period under review, remarkable growth was gained in the advertising volumes of high-end consumables like motor vehicles, famous-branded watches and diamonds posting a significant increase over the previous figures.

"The Sun" has maintained its strong position as the third best-selling newspaper in Hong Kong. Over four years of devoted efforts, "The Sun" has drawn a new generation of young and middle-aged readers who are highly educated and career-minded. To keep abreast of the needs of these elite readers, "The Sun" has undergone a thorough layout reform to present specially enriched financial information, which has close connection with this reader group. Several celebrities from the financial field have been invited to provide investment related articles on stock trends and international financial scene. To cater for the increase of sophisticated/intelligent readers, "The Sun" has refined its education and culture sections. With overwhelming responses from advertisers, the advertising volume of "The Sun" has experienced an enormous surge in advertising volume, and hence a stable growth in advertising income. On circulation, the actual sales of "The Sun" on 3 April 2003 achieved an impressive performance of over 230,000 copies. Since its introduction, "The Sun" has been selling at a discounted price; the price has resumed to a normal retail price of HK\$6 since 24 September 2003. "The Sun" is still the third best-selling newspaper. With unchanged advertising volume and increased distribution income, it is believed that "The Sun" will soon bring attractive profit contributions to the Group. The Board has great expectation of "The Sun", and believes that "The Sun" will emerge as the second best-selling newspaper in Hong Kong in time.

"The Sun Racing Journal" is reputable for its rich database and reliable forecasts. Various experienced horse-racing analysts retained by the Group provide detailed analyses for each horse race, which are highly cherished by racing fans. Over the years, "The Sun Racing Journal" has established an extensive database with comprehensive horse-racing data. This is a crucial key for "The Sun Racing Journal" to maintaining competitive high quality over other publications of similar kind in the market.

"orisun.com" has reported ever-increasing page views. On 2 April 2003, which is during the SARS outbreak, "Oriental Daily News Web", "The Sun Web" and "Oriental Daily News© Paper and The Sun© Paper" recorded a page view of 4.8 million, 3.5 million and 1.3 million respectively. Together with a page view of 370,000 for other websites, the total page views reached was about 10 million. Number of clients of on-line content sales business has also surged. Following the upsurge of the talk of football, "orisun.com" has introduced Football site, which is a 24-hour subscription-based website providing its readers with various information including football news, betting odds, recommendations and real-time results. The services rendered by this website were well-received by readers and advertisers since its introduction. To bring greater income for the Group, "orisun.com" will take great leaps towards developing subscription-based businesses such as designing on-line advertisements for its clients.

With their page flipping style, "Oriental Daily News© Paper" and "The Sun© Paper" are the first and exclusive e-papers in the website industry. So far, it is still one of a kind and brand-new product in Hong Kong. Readers, either overseas or local, can anytime access to the exact layout and contents of our newspapers through the website. With its page flipping style, the e-paper provides readers with a feel of joy as reading a traditional printed copy of newspaper. Since their launch in 2002, our e-papers have received overwhelming responses, with number of members over 380,000. The subscription income from the e-papers now forms part of the stable income sources of the Group. Currently, the Group also introduces institution accounts for the e-papers to explore into large client markets, such as schools, commercial institutions, etc. It is believed that the e-paper will expand fairly quickly in the near future. Now, "Oriental Daily News© Paper" and "The Sun© Paper" are the first e-papers available in the domestic market in the Mainland China. Residents thereof may on-line access to "Oriental Daily News" and "The Sun". Numbers of e-paper readers are expected to increase dramatically.