



RESULTS

For the six months ended 30 September 2006, the Group recorded a profit of HK\$143,400,000 before netting off the expenditure incurred for the newspaper promotion campaign of HK\$139,600,000. The unaudited profit attributable to shareholders amounted to HK\$3,800,000. The decrease in the Group's profit was mainly due to the soaring production costs and the newspaper promotion campaign.

INTERIM DIVIDEND


The Directors have resolved not to pay interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: HK2.5 cents per share).

BUSINESS REVIEW

As the competition in the advertising industry has intensified, there has been a decrease in the Group's advertising revenue. High production costs including those of crude oil and newsprint, together with the newspaper promotion campaign during the period, led to increases in overall operating costs. As a result, the Group recorded a less than satisfactory operating result.

In terms of circulation and readership, "Oriental Daily News" and "The Sun" together shared approximately 60% of the Chinese newspaper market in Hong Kong. "Oriental Daily News", as the best-selling newspaper in Hong Kong for 30 years, is the most profitable publication of the Group. Since the launch of a campaign to reward readers in October last year, the circulation and both the advertising rate and volume of "The Sun" have recorded remarkable increases. During the period, the retail price of "The Sun" has been adjusted twice: an increase to HK\$4 on 13 May 2006 and another to HK\$5 on 26 August 2006. The circulation remains steady, but it generates increased circulation revenue for the Group.

Through the effort of the development team, the usability of "Oriental Daily News © Paper" and "The Sun © Paper", the Group's proprietary products, continues to improve and this has strengthened their competitiveness. "orisun.com", our flagship online portal, has serviced the global community with its extensive content. Riding on the rapid development of online advertising market, "orisun.com" has become one of the major online media, generating significant revenue growth. Following our highly successful mobile site <wap.orisun.com>, "orisun.com" has launched a new channel <breaking news> whose content is continuously updated and improved. With support from the editorial professionals of our two newspapers, the website has been providing readers with round-the-clock, high-quality real-time news, and has produced a series of in-depth current affairs features. Together with our wap platform, readers can have easy access to our news content. During the period, "orisun.com" has successfully entered into agreements with three of the top international handset manufacturers to pre-load their latest phones with shortcuts to our mobile news or websites. This has been well-received by users who have joined the customer base of the Group's wireless platform.



With respect to property investment, the occupancy rate of Oriental News Building in Kowloon Bay is satisfactory and it is believed that this will continue to bring the Group steady rental revenue. The Group would consider its disposal should there be a potential buyer with a satisfactory offer. Meanwhile, the overseas hotel operation and shopping mall rental keep providing the Group with stable revenue.

BUSINESS OUTLOOK

The Group will endeavour to further strengthen the two newspapers' market share in order to ensure the stability of its business development. It is expected that the operating results of "The Sun" would improve should the retail price be restored to its original HK\$6 and the expenditure incurred for the promotion campaign be diminished. Additionally, the stabilization of newsprint price and a decrease in the cost of crude oil will help reduce the Group's operational costs. Together with this, the implementation of a policy to explore new sources of income and retrenchments, including departmental reengineering to decrease staff emoluments, are expected to improve the operating profit for the second half of the year.

To keep up with the fast-changing information market and high demands of our users, "orisun.com" will continue to explore new business models and launch up-to-date products. Following the set up of the video production division, the Group is proud to enter an era of video media. Trial runs of entertainment and lifestyle video news are being conducted and will be launched to the public when appropriate. With the backing of the strong editorial teams of the Group's two newspapers and the video production division, "orisun.com" will be revamped with a new look in the second half of the year, providing Chinese users around the world with comprehensive, real-time and multimedia content. It is on the way to becoming a global Chinese online community and opinion platform.

With the production of exclusive video news content, the Group is well positioned to expand into the markets of 3G mobile networks and IPTV in Greater China, South East Asia and overseas. The Group is identifying acquisition targets in the Mainland in order to strive for the largest market share. In the mean time, the Group is considering seeking out suitable strategic partners to ensure the long-term growth of its website business. The Group also does not rule out the possibility of spinning off the website operations to internationalize its business.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital at 30 September 2006 amounted to HK\$1,187,600,000 (31 March 2006: HK\$1,229,400,000), which includes time deposits, bank balances and cash amounting to HK\$905,400,000 (31 March 2006: HK\$996,800,000).

At 30 September 2006, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 3.3% (31 March 2006: 3.1%). The bank loan of HK\$76,100,000 is secured by a pledge of bank deposit of HK\$105,000,000.

During the period, the Group's capital expenditure was approximately HK\$14,200,000.