



東方報業集團有限公司

ORIENTAL PRESS GROUP LTD

(Stock Code: 18)



2007
Interim Report



The Directors of Oriental Press Group Limited (the “Company”) announce that the unaudited consolidated results for the six months ended 30 September 2007 of the Company and its subsidiaries (the “Group”), together with the comparative figures for the corresponding period of the previous year, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Notes	Six months ended	
		30.9.2007 (Unaudited) HK\$'000	30.9.2006 (Unaudited) HK\$'000
Revenue		918,691	893,315
Other income		39,203	41,915
Raw materials and consumables used		(309,951)	(374,216)
Staff costs including directors' emoluments		(340,912)	(369,186)
Depreciation		(38,447)	(38,466)
Other operating expenses		(95,433)	(148,870)
Surplus on revaluation of property, plant and equipment		6,385	–
Fair value adjustment on investment properties		21,234	–
Net (loss)/gain on disposal of property, plant and equipment		(81)	83
Profit from operations		200,689	4,575
Finance costs		(3,038)	(2,231)
Profit before income tax		197,651	2,344
Income tax (expense)/credit	4	(34,510)	1,256
Profit for the period		163,141	3,600
Attributable to:			
Equity holders of the Company		162,858	3,819
Minority interest		283	(219)
Profit for the period		163,141	3,600
Dividend	5	59,948	–
Earnings per share for profit attributable to the equity holders of the Company during the period	6		
– Basic		HK6.79 cents	HK0.16 cent
– Diluted		N/A	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2007

	Notes	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	1,145,952	1,138,269
Leasehold land		36,916	37,384
Investment properties	8	115,636	145,673
Available-for-sale financial asset		4,745	4,745
Deferred tax assets		28,033	31,855
		<u>1,331,282</u>	<u>1,357,926</u>
Current assets			
Inventories		87,689	110,820
Trade receivables	9	306,820	248,855
Other debtors, deposits and prepayments		17,995	11,728
Taxation recoverable		70,617	86,029
Pledged bank deposit	11	104,599	107,277
Cash and cash equivalents		1,207,219	1,096,502
		<u>1,794,939</u>	<u>1,661,211</u>
Non-current assets held for sale	8	55,436	–
		<u>1,850,375</u>	<u>1,661,211</u>
Current liabilities			
Trade payables	10	72,533	64,011
Other creditors, accruals and deposits received		198,447	163,771
Taxation payable		9,142	4,550
Borrowings	11	97,122	88,961
		<u>377,244</u>	<u>321,293</u>
Net current assets		<u>1,473,131</u>	<u>1,339,918</u>
Total assets less current liabilities		<u>2,804,413</u>	<u>2,697,844</u>
Non-current liabilities			
Deferred tax liabilities		108,742	100,595
Net assets		<u>2,695,671</u>	<u>2,597,249</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	12	599,479	599,479
Reserves		2,091,288	1,899,299
Proposed dividends		–	95,917
		<u>2,690,767</u>	<u>2,594,695</u>
Minority interest		<u>4,904</u>	<u>2,554</u>
Total equity		<u>2,695,671</u>	<u>2,597,249</u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Equity attributable to the equity holders of the Company								
	Share capital	Share premium	Exchange reserve	Properties revaluation reserve	Retained profits	Proposed dividends	Total	Minority interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2006	599,479	814,485	2,981	67,296	968,748	59,948	2,512,937	1,934	2,514,871
Exchange realignment	-	-	(121)	-	-	-	(121)	10	(111)
Net (expenses)/income recognised directly in equity	-	-	(121)	-	-	-	(121)	10	(111)
Profit for the period	-	-	-	-	3,819	-	3,819	(219)	3,600
Total recognised income and expense for the period	-	-	(121)	-	3,819	-	3,698	(209)	3,489
Dividends paid	-	-	-	-	-	(59,948)	(59,948)	-	(59,948)
At 30 September 2006 (unaudited)	<u>599,479</u>	<u>814,485</u>	<u>2,860</u>	<u>67,296</u>	<u>972,567</u>	<u>-</u>	<u>2,456,687</u>	<u>1,725</u>	<u>2,458,412</u>
At 1 April 2007	599,479	814,485	12,567	75,700	996,547	95,917	2,594,695	2,554	2,597,249
Surplus on revaluation	-	-	-	24,047	-	-	24,047	2,664	26,711
Deferred tax liability arising on revaluation of buildings	-	-	-	(7,263)	-	-	(7,263)	(799)	(8,062)
Exchange realignment	-	-	12,347	-	-	-	12,347	202	12,549
Net income recognised directly in equity	-	-	12,347	16,784	-	-	29,131	2,067	31,198
Profit for the period	-	-	-	-	162,858	-	162,858	283	163,141
Total recognised income for the period	-	-	12,347	16,784	162,858	-	191,989	2,350	194,339
Dividends paid	-	-	-	-	-	(95,917)	(95,917)	-	(95,917)
At 30 September 2007 (unaudited)	<u>599,479</u>	<u>814,485</u>	<u>24,914</u>	<u>92,484</u>	<u>1,159,405</u>	<u>-</u>	<u>2,690,767</u>	<u>4,904</u>	<u>2,695,671</u>

Note: These reserve accounts comprise the consolidated reserves of HK\$2,091,288,000 (31 March 2007: HK\$1,899,299,000) in the condensed consolidated balance sheet of the Group.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007

	Six months ended	
	30.9.2007 (Unaudited) HK\$'000	30.9.2006 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	182,931	(39,715)
Net cash generated from investing activities	28,403	9,357
Net cash used in financing activities	(95,917)	(59,948)
Effect of changes in foreign exchange rate	(4,700)	(1,103)
Increase/(decrease) in cash and cash equivalents	110,717	(91,409)
Cash and cash equivalents at beginning of the period	1,096,502	996,801
Cash and cash equivalents at end of the period	<u>1,207,219</u>	<u>905,392</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2007*

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 March 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of properties set out in note 7 and 8. The accounting policies adopted are consistent with those used in the preparation of the Group’s financial statements for the year ended 31 March 2007.

During the period, one of the Company’s subsidiaries entered into a sale and purchase agreement for disposing of an investment property on the completion date which is not later than 25 May 2008, and accordingly, the Group adopted the accounting policy on the relevant assets in accordance with Hong Kong Financial Reporting Standard 5 “Non-current Assets Held for Sale and Discontinued Operations”.

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets, or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell, except for investment properties which, even if held for sale, would continue to be measured in accordance with the policy adopted by the Group.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in the income statement. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

From 1 April 2007, the Group has adopted all of the new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are first effective on 1 April 2007 and relevant to the Group.

The adoption of these new and amended HKFRSs did not result in significant changes to the Group’s accounting policies but gave rise to additional disclosures.



The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangement ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ²

Note:

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 January 2008

³ Effective for annual periods beginning on or after 1 July 2008

3. SEGMENT INFORMATION

The Group is primarily engaged in the publication of newspapers. Over 90% of the Group's principal activities during the period are carried out in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

4. INCOME TAX EXPENSE/(CREDIT)

Hong Kong Profits Tax has been provided for at the rate of 17.5% (six months ended 30 September 2006: 17.5%) on the estimated assessable profits. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended	
	30.9.2007	30.9.2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax for the period	29,572	4,547
Overseas Tax for the period	510	276
	30,082	4,823
Deferred tax	4,428	(6,079)
	34,510	(1,256)

Deferred tax has been provided for at the rate that is expected to apply in the period when the liability is settled or the asset is realised.

5. DIVIDEND

The Directors have resolved to pay interim dividend of HK2.5 cents per share (six months ended 30 September 2006: Nil) to the shareholders of the Company whose names appear in the Register of Members on 10 January 2008.



6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit attributable to the equity holders for the period of approximately HK\$162,858,000 (six months ended 30 September 2006: HK\$3,819,000) and on 2,397,917,898 (six months ended 30 September 2006: 2,397,917,898) shares in issue during the period.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue for both periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired and disposed of plant and equipment of approximately HK\$3,412,000 and HK\$109,000 respectively.

As at 30 September 2007, the carrying amounts of the Group's freehold land and buildings were stated at fair value, which was determined by the Directors with reference to the estimated market value.

8. INVESTMENT PROPERTIES

No acquisition and disposal of investment properties were made during the period.

On 25 September 2007, one of the Company's subsidiaries entered into a sale and purchase agreement with an independent third party for disposing of an investment property at a consideration of Australian dollar ("AUD") 8,100,000 (equivalent to approximately HK\$55,400,000) on the completion date which is not later than 25 May 2008. It has been classified as non-current assets held for sale in accordance with the accounting policy adopted by the Group as set out in note 2.

As at 30 September 2007, the carrying amounts of the Group's investment properties were stated at fair value, which was determined by the Directors with reference to the estimated market value.

9. TRADE RECEIVABLES

The Group allows an average credit of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
0 – 60 days	155,873	127,650
61 – 90 days	59,164	48,288
Over 90 days	91,783	72,917
	<u>306,820</u>	<u>248,855</u>



10. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
0 – 60 days	62,544	46,672
61 – 90 days	1,685	1,940
Over 90 days	<u>8,304</u>	<u>15,399</u>
	<u><u>72,533</u></u>	<u><u>64,011</u></u>

11. BORROWINGS

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
Current:		
Bank loan	89,930	82,519
Other loan	<u>7,192</u>	<u>6,442</u>
	<u><u>97,122</u></u>	<u><u>88,961</u></u>

At 30 September 2007, the bank loan denominated in AUD was secured by a pledged bank deposit of the Group amounting to HK\$104,599,000 (31 March 2007: HK\$107,277,000) and bore interests at variable rate of AUD's LIBOR plus 0.3% (six months ended 30 September 2006: AUD's LIBOR plus 0.3%). Other loan denominated in AUD, which was made by a minority shareholder of a subsidiary of the Company, was unsecured, interest bearing at 4% per annum (six months ended 30 September 2006: 4% per annum) and repayable on demand.

At 31 March 2007 and 30 September 2007, the Group's bank and other loans were repayable within one year.

The carrying amounts of borrowings approximate their fair value.

12. SHARE CAPITAL

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.25 each	<u>1,250,000</u>	<u>1,250,000</u>
Issued and fully paid:		
2,397,917,898 ordinary shares of HK\$0.25 each	<u>599,479</u>	<u>599,479</u>



13. OPERATING LEASE COMMITMENTS

At the balance sheet date, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
Within one year	3,197	2,355
In the second to fifth years	<u>960</u>	<u>1,320</u>
	<u>4,157</u>	<u>3,675</u>

The Group leases a number of premises under operating leases. The leases run for an initial period of one to two years, with an option to renew the lease terms and negotiated the terms at the expiry date or at the dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rental payable.

14. FUTURE OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
Within one year	8,572	6,703
In the second to fifth years	<u>8,445</u>	<u>8,031</u>
	<u>17,017</u>	<u>14,734</u>

The Group leases its investment properties under operating lease arrangements which run for an initial period of two to three years, with an option to renew the lease terms at the expiry date or at the dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally require the tenants to pay security deposits. None of the leases include contingent rental receivable.

15. RELATED PARTY TRANSACTIONS

The Group paid legal fees amounting to approximately HK\$695,000 (six months ended 30 September 2006: HK\$415,000) to Messrs. Iu, Lai & Li during the period. Mr. Dominic LAI, a non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li. The transaction prices were considered by the Directors as estimated market value.

16. CAPITAL COMMITMENTS

	30.9.2007 (Unaudited) HK\$'000	31.3.2007 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	<u>605</u>	<u>387</u>



17. OUTSTANDING LITIGATIONS

At the balance sheet date, there have been several outstanding defamatory and other litigations brought against the Group. The Group has been strongly contesting those claims. Even though the final outcome of the proceedings is still uncertain as of the date of these interim financial statements, the Directors are of the opinion that the respective ultimate liability, if any, will not have a material adverse impact upon the Group's financial position.

18. SUBSEQUENT EVENTS

- a) On 10 October 2007, another subsidiary of the Company entered into a Put and Call Option Deed ("Option Deed") with an independent third party ("Purchaser") to grant to the Purchaser the call option to acquire the Group's freehold land and building ("Hotel Properties") located in Australia at a consideration of AUD18,200,000 (equivalent to approximately HK\$124,600,000) and to grant to the Company's subsidiary the put option to sell the Hotel Properties at the same consideration. As agreed, the completion date of the sale and purchase of the Hotel Properties shall be on or before 15 December 2008.
- b) On 10 October 2007, the Company's subsidiary entered into a Licence Deed with a related company of the Purchaser to grant the right of operation of the Hotel Properties for 18 months with an annual licence fee of AUD800,000 (equivalent to approximately HK\$5,500,000).
- c) On 17 October 2007, the Company's subsidiary entered into a sale and purchase agreement with an independent third party to acquire an investment property located in Australia at a consideration of AUD11,800,000 (equivalent to approximately HK\$81,000,000).

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board of Directors on 6 December 2007.



RESULTS

For the six months ended 30 September 2007, the Group's unaudited profit attributable to shareholders amounted to HK\$162,858,000. The dramatic increase in the Group's profit, as compared to the profit of HK\$3,819,000 for the corresponding period of 2006, was mainly due to the savings resulting from completion of the substantial promotion campaign undertaken last year.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK2.5 cents per share (2006: Nil), payable to the shareholders whose names appear on the Register of Members on 10 January 2008. The interim dividend will be payable on 14 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 7 January 2008 to 10 January 2008, both days inclusive, during which period no transfer of shares will be effected.

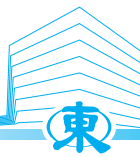
In order to qualify for the interim dividend, all transfers accompanied by relevant share certificates must be deposited at the Company's share registrar, Tricor Friendly Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on 4 January 2008.

BUSINESS REVIEW

"Oriental Daily News" continues to maintain its position as the best-selling newspaper in Hong Kong for 31 years in a row. With its unrivaled readership, the paper has been the most profit making among the Group's publications. To sustain its quality and strength, "Oriental Daily News" geared its efforts towards consolidating its news teams, strengthening its news contents and innovating its layouts during the period.

"The Sun" is positioned comfortably as the third best-selling Chinese newspaper. Overall income generated by the paper climbed as a result of the promotion campaign that successfully stabilized both its circulation and readership, and brought about a significant growth in its advertising revenue.

"on.cc", the Group's online arm, developed at a phenomenal speed during the period under review and has successfully built up a highly promising new media business for the Group. It now provides video news produced by TV professionals in collaboration with 3G mobile network operators in Hong Kong, Macao and Singapore.



On account of newly launched online products, the overall page view of “on.cc” continued to surge. The online division recorded over 1.8 million unique user session in a single month, maintained its leading position among Chinese information websites. “on.cc” registered significant growth in its online advertising revenue over same period of last year. Taking advantage of the bullish stock market in both Hong Kong and the Mainland, the Group promptly launched the website “Money 18” to provide professional financial updates round the clock, and a desktop gadget to provide automated update stock quotes. The gadget may be downloaded for free by our online users; reception has been overwhelmingly warm. Viewership for “Money 18” surged by over four times within four short months and has become one of the most favorite advertising online media for the financial industry. The mobile network “wap.on.cc” under “on.cc” is unchallenged and has now become the highest page views media wap site in Hong Kong, and a popular promotion platform for advertisers.

Turning to property investment, the satisfactory leasing situation of the Oriental News Building continued to bring in stable rental income for the Group. While the Group is still inclined to dispose of the building, the sale price still remains a major consideration.

As for overseas investment, the Group has already entered into an agreement on 25 September 2007 to sell its shopping mall at a consideration of AUD8,100,000 so as to yield a net profit of AUD300,000 when the transaction completes in six to eight months as anticipated. During the period under review, revenue from the Group’s hotel operation remained stable.

BUSINESS OUTLOOK

The Group entered into a put/call option deed with an independent third party (“Purchaser”) on 10 October 2007. Under the put/call option deed, the hotel premises in Australia may be sold, upon exercise of the option, to the Purchaser at a consideration of AUD18,200,000 on or before 15 December 2008, whereupon a net profit of approximately AUD3,600,000 will be realised. In addition, the Group entered into a licence deed with a related company of the Purchaser to grant the right to use its hotel premises for the purpose of hotel operation for 18 months in return for an annual receipt of AUD800,000.

Further, a property in Australia was acquired at a consideration of AUD11,800,000 for investment purposes on 17 October 2007.

After reverting to its original price of HK\$6 on 17 November 2007, the circulation of “The Sun” remains stable. Thus, the circulation revenue for the Group increased.

In light of the thriving economy in Hong Kong, advertisers are likely to seize the opportunity to boost retail businesses. With “Oriental Daily News” and “The Sun” making up an aggregate share of about 60% in both circulation and readership of local Chinese newspapers, the Group is well poised to attract even more advertisers and hence an even bigger share in the advertising market.



The Group will continue to invest in “on.cc” to expand its web TV business at full steam. Backed by our elitist news teams, “on.cc” is about to launch a synergistic web TV news service. It is expected that the young audiences attracted to our free online TV news will impact favorably on advertising rates. It is believed that web TV will become a fast growing profit centre for the Group as a result of the buoyant advertising market and popularization of WiFi.

Plans are in hand to introduce more new media products into the market. “on.cc” will further consolidate the Group’s leading position as a provider of Hong Kong financial news and information through collaborating with the financial media in the Mainland. Together with the strong user base of “wap.on.cc” and the various kinds of downloadable desktop gadget, the Group will greatly enhance comprehensiveness and pervasiveness of its media network, which consequently will serve more advertisers of different types. In the long run, our new media business will attract users of younger generation and thus increase our readership. The competitive edge our websites enjoy to expand beyond the border with the China concept will be an important stimulant for the overall development of the Group.

Looking ahead, although the Group’s expenditure will be pushed up by rising printing costs, the increases in production and administrative costs are expected to be offset by the growth in the Group’s circulation revenue as the retail price of “The Sun” has been adjusted upward, and the increase in our turnover following active exploration for a more varied clientele. In anticipation of steady performance in the second half of the year, the Group is prudently optimistic about its future development.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital at 30 September 2007 amounted to HK\$1,473,100,000 (31 March 2007: HK\$1,339,900,000), which includes time deposits, bank balances and cash amounting to HK\$1,207,200,000 (31 March 2007: HK\$1,096,500,000).

At 30 September 2007, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 3.6% (31 March 2007: 3.4%). The bank loan of HK\$89,900,000 is secured by a pledge of bank deposit of HK\$104,500,000.

During the period, the Group’s capital expenditure was approximately HK\$3,400,000.

EMPLOYEES

At 30 September 2007, the Group employed 2,294 employees. Remuneration for employees including medical benefits is determined based on industry practice, performance and working experience of the employees, and the current market conditions. The Group has implemented a training scheme to nurture a new generation of journalists.



EXPOSURE TO FOREIGN EXCHANGE

The revenue of the Group is mainly denominated in Hong Kong dollars and the production cost is denominated in HK and US dollars, therefore the Group is not exposed to any foreign currency exchange risk provided Hong Kong's pegged exchange rate system remains unchanged.

CORPORATE GOVERNANCE

The Audit Committee of the Company has reviewed the unaudited interim financial statements for the six months ended 30 September 2007 and has no disagreement with the accounting treatment adopted.

The Remuneration Committee of the Company comprises two independent non-executive directors. They are responsible to the Board for setting policy on the Group's emoluments and for considering and reviewing the remuneration packages of all directors and senior management.

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the six months ended 30 September 2007 save that the independent non-executive directors are not appointed for a specific term of office.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed that they have achieved full compliance with the required standards as laid down in the Model Code for the six months ended 30 September 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

At 30 September 2007, the directors, the chief executive and their respective associates had interests in the shares and underlying shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

Interests in the Company

Name of Director	Capacity	Number of ordinary shares held				Total	Percentage of Shareholding
		Personal Interests	Family Interests	Corporate Interests	Other Interests		
Ching-fat MA	Trustee of a discretionary trust	-	-	-	1,402,705,800 (Note)	1,402,705,800	58.50%
Ching-choi MA	One of the beneficiaries of a discretionary trust	-	-	-	1,402,705,800 (Note)	1,402,705,800	58.50%
Shun-chuen LAM	Founder of a discretionary trust	-	-	-	1,402,705,800 (Note)	1,402,705,800	58.50%

Note:

Such 1,402,705,800 shares are held by Ever Holdings Limited (holding 84,281,880 shares), Tarbela Company Limited (holding 681,037,500 shares), Tarboca Company Limited (holding 360,328,020 shares) and Sermost Limited (holding 277,058,400 shares). Tarbela Company Limited, Tarboca Company Limited and Sermost Limited are the wholly owned subsidiaries of Ever Holdings Limited; Ever Holdings Limited is the wholly owned subsidiary of Magicway Investment Limited; Magicway Investment Limited is the wholly owned subsidiary of Wonderful Star Limited and Wonderful Star Limited is the wholly owned subsidiary of Ma's Holdings Limited. Ma's Family Trust, a discretionary trust, is the sole beneficial owner of Ma's Holdings Limited. The Company's directors, Mr. Ching-fat MA, being the trustee of Ma's Family Trust, Mr. Ching-choi MA, being one of the beneficiaries of Ma's Family Trust and Mr. Shun-chuen LAM, being the founder of Ma's Family Trust, are taken to be interested in the shares of the Company and thus are taken to be interested in those 1,402,705,800 shares held by the above-mentioned companies.

Other than the holdings disclosed above, no interests and short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executive of the Company or their respective associates in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein. None of the directors, the chief executive or their associates had, as at 30 September 2007, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its above-mentioned associated corporation, or had exercised any such rights.



DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 30 September 2007, shareholders (other than directors or chief executive of the Company) who had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Interests in the Company

Name	Capacity	Number of ordinary shares	Percentage of Shareholding
Ma's Holdings Limited	Interest of controlled corporations	1,402,705,800 <i>(Note)</i>	58.50%
Wonderful Star Limited	Interest of controlled corporations	1,402,705,800 <i>(Note)</i>	58.50%
Magicway Investment Limited	Interest of controlled corporations	1,402,705,800 <i>(Note)</i>	58.50%
Ever Holdings Limited	Beneficial owner and interest of controlled corporations	1,402,705,800 <i>(Note)</i>	58.50%
Tarbela Company Limited	Beneficial owner	681,037,500 <i>(Note)</i>	28.40%
Tarboca Company Limited	Beneficial owner	360,328,020 <i>(Note)</i>	15.03%
Sermost Limited	Beneficial owner	277,058,400 <i>(Note)</i>	11.55%
Mui-fong HUNG	Interest of spouse	1,402,705,800 <i>(Note)</i>	58.50%
Maria Lai-chun CHAN	Interest of spouse	1,402,705,800 <i>(Note)</i>	58.50%
Brandes Investment Partners, L.P.	Beneficial owner	216,952,000	9.05%

Note:

Such 1,402,705,800 shares are held by Ever Holdings Limited (holding 84,281,880 shares), Tarbela Company Limited (holding 681,037,500 shares), Tarboca Company Limited (holding 360,328,020 shares) and Sermost Limited (holding 277,058,400 shares). Tarbela Company Limited, Tarboca Company Limited and Sermost Limited are the wholly owned subsidiaries of Ever Holdings Limited; Ever Holdings Limited is the wholly owned subsidiary of Magicway Investment Limited; Magicway Investment Limited is the wholly owned subsidiary of Wonderful Star Limited and Wonderful Star Limited is the wholly owned subsidiary of Ma's Holdings Limited. Ma's Family Trust is the sole beneficial owner of Ma's Holdings Limited. Ms. Mui-fong HUNG, being spouse of Mr. Ching-fat MA, and Ms. Maria Lai-chun CHAN, being spouse of Mr. Ching-choi MA, are also deemed to be interested in the shares of the Company.



Save as disclosed above, no other party had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

On behalf of the Board
Ching-fat MA
Chairman

Hong Kong, 6 December 2007

As at the date hereof, the Board comprises seven directors, of which three are executive directors, namely, Mr. Ching-fat MA (Chairman), Mr. Ching-choi MA (Vice-Chairman) and Mr. Shun-chuen LAM (Chief Executive Officer), one non-executive director, namely, Mr. Dominic LAI and three independent non-executive directors, namely, Mr. Yau-nam CHAM, Mr. Ping-wing PAO and Mr. Yat-fai LAM.