



東方報業集團有限公司
ORIENTAL PRESS GROUP LTD

Stock Code: 18

Interim Report

2008





The Directors of Oriental Press Group Limited (the "Company") announce that the unaudited consolidated results for the six months ended 30 September 2008 of the Company and its subsidiaries (collectively known as 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 2008

	Notes	Six months ended	
		30.9.2008 (Unaudited) HK\$'000	30.9.2007 (Unaudited) HK\$'000
Revenue		873,744	918,691
Other income		37,787	39,203
Raw materials and consumables used		(319,917)	(309,951)
Staff costs including directors' emoluments		(343,944)	(340,912)
Depreciation		(35,120)	(38,447)
Other operating expenses		(107,615)	(95,433)
Surplus on revaluation of property, plant and equipment		–	6,385
Fair value adjustment on investment properties		(16,746)	21,234
Net gain/(loss) on disposal of property, plant and equipment		569	(81)
Gain on disposal of a subsidiary		398,824	–
Profit from operations		487,582	200,689
Finance costs		(6,573)	(3,038)
Profit before income tax		481,009	197,651
Income tax expense	4	(5,488)	(34,510)
Profit for the period		475,521	163,141
Attributable to:			
Equity holders of the Company		475,543	162,858
Minority interest		(22)	283
Profit for the period		475,521	163,141
Dividend	5		
Interim dividend		23,979	59,948
Special dividend		119,896	–
		143,875	59,948
Earnings per share for profit attributable to equity holders of the Company during the period	6		
– Basic		HK19.83 cents	HK6.79 cents
– Diluted		N/A	N/A



CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2008

	Notes	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	7	972,780	996,735
Leasehold land		30,329	30,723
Investment properties	8	288,846	69,472
Available-for-sale financial asset		4,745	4,745
Deferred tax assets		28,194	24,764
		1,324,894	1,126,439
Current assets			
Inventories		164,427	108,545
Trade receivables	9	277,508	263,415
Other debtors, deposits and prepayments		17,916	14,382
Taxation recoverable		18,630	26,762
Pledged bank deposits	12	596,710	116,437
Cash and cash equivalents		1,124,526	1,350,772
		2,199,717	1,880,313
Non-current assets held for sale	10	–	311,407
		2,199,717	2,191,720
Current liabilities			
Trade payables	11	58,972	93,068
Other creditors, accruals and deposits received		133,192	219,243
Taxation payable		13,872	8,039
Borrowings	12	175,098	101,097
		381,134	421,447
Liabilities associated with non-current assets classified as held for sale	10	–	16,064
		381,134	437,511
Net current assets			
		1,818,583	1,754,209
Total assets less current liabilities			
		3,143,477	2,880,648
Non-current liabilities			
Borrowings	12	2,403	2,697
Deferred tax liabilities		86,517	92,436
		88,920	95,133
Net assets			
		3,054,557	2,785,515
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	599,479	599,479
Reserves		2,451,354	1,978,101
Proposed dividends		–	203,823
		3,050,833	2,781,403
Minority interest			
		3,724	4,112
Total equity			
		3,054,557	2,785,515



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

Equity attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000 (Note)	Exchange reserve HK\$'000 (Note)	Properties revaluation reserve HK\$'000 (Note)	Retained profits HK\$'000 (Note)	Proposed dividend HK\$'000	Total HK\$'000	Minority interest HK\$'000	Total equity HK\$'000
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 and expense 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 and expense 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)	599,479	814,485	24,914	92,484	1,159,405	-	2,690,767	4,904	2,695,671
At 1 April 2008	599,479	814,485	28,633	90,621	1,044,362	203,823	2,781,403	4,112	2,785,515
Transfer upon disposal of a subsidiary	-	-	-	(47,889)	47,889	-	-	-	-
Exchange realignment	-	-	(2,290)	-	-	-	(2,290)	(366)	(2,656)
Net income and expense recognised directly in equity	-	-	(2,290)	(47,889)	47,889	-	(2,290)	(366)	(2,656)
Profit for the period	-	-	-	-	475,543	-	475,543	(22)	475,521
Total recognised income and expense for the period	-	-	(2,290)	(47,889)	523,432	-	473,253	(388)	472,865
Dividends paid	-	-	-	-	-	(203,823)	(203,823)	-	(203,823)
At 30 September 2008 (unaudited)	599,479	814,485	26,343	42,732	1,567,794	-	3,050,833	3,724	3,054,557

Note: These reserve accounts comprise the consolidated reserves of HK\$2,451,354,000 (31 March 2008: HK\$1,978,101,000) in the condensed consolidated balance sheet of the Group.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

	Six months ended 30.9.2008 (Unaudited) HK\$'000	30.9.2007 (Unaudited) HK\$'000
Net cash (used in)/generated from operating activities	(7,826)	182,931
Net cash (used in)/generated from investing activities	(104,965)	28,403
Net cash used in financing activities	(107,101)	(95,917)
Effect of changes in foreign exchange rate	(6,354)	(4,700)
(Decrease)/Increase in cash and cash equivalents	(226,246)	110,717
Cash and cash equivalents at beginning of the period	1,350,772	1,096,502
Cash and cash equivalents at end of the period	1,124,526	1,207,219



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

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 (the "Stock Exchange") 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 2008.

2. SUMMARY OF SIGNIFICANT 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, 8 and 10. The accounting policies adopted are consistent with those used in the preparation of the financial statements of the Group for the year ended 31 March 2008.

From 1 April 2008, the Group has adopted all of the new and amended Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKAS and Interpretations issued by the HKICPA which are first effective on 1 April 2008 and relevant to the Group.

The adoption of these new and amended HKFRSs did not result in significant alterations to the Group's accounting policies.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Amendments for Eligible Hedged Items ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations – Comprehensive Revision on Applying the Acquisition Method ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009

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

⁴ Effective for annual periods beginning on or after 1 October 2008

Among these new and amended HKFRSs, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to be relevant to the Group's financial statements.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 1 (Revised) "Presentation of Financial Statements"

This amendment affects the presentation of owner's changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

Except for the adoption of HKAS 1 (Revised) as mentioned above, the directors of the Company (the "Directors") anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

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 and customers are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

4. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 September 2007: 17.5%) of the estimated assessable profit for the period. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the profits tax rate from 17.5% to 16.5% with effect from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008.

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	
	30.9.2008	30.9.2007
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
Hong Kong Profits Tax for the period	15,058	29,572
Overseas Tax for the period	–	510
	15,058	30,082
Deferred tax	(5,555)	4,428
Effect on change in tax rate	(4,015)	–
	(9,570)	4,428
	5,488	34,510

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

On 5 December 2008, the Directors have resolved to pay interim dividend of HK1 cent per share (six months ended 30 September 2007: HK2.5 cents per share) and special dividend of HK5 cents per share (six months ended 30 September 2007: Nil) to the shareholders of the Company whose names appear in the Register of Members on 8 January 2009. The distribution of the special dividend relates to the non-recurring gain on disposal of a subsidiary during the period.

6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of approximately HK\$475,543,000 (six months ended 30 September 2007: HK\$162,858,000) and on 2,397,917,898 (six months ended 30 September 2007: 2,397,917,898) ordinary 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 plant and equipment of approximately HK\$14,006,000. No significant disposal of property, plant and equipment was made during the period.

At 30 September 2008, 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

During the period, the Group acquired investment properties of approximately HK\$94,956,000. In addition, the Directors resolved to reclassify certain investment properties of approximately HK\$141,310,000 from non-current assets held for sale as the sale plans of the investment properties have been changed given the change in market conditions. No disposal of investment properties were made during the period.

At 30 September 2008, 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 and no interest is charged. All trade receivables are denominated in Hong Kong dollars which is the functional currency of the group entities to which these balance relate.

The following is an aged analysis of trade receivables after deducting the provision for impairment loss at the balance sheet date:

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
0 – 60 days	135,453	125,088
61 – 90 days	52,800	55,009
Over 90 days	89,255	83,318
	277,508	263,415



10. NON-CURRENT ASSETS HELD FOR SALE

- (a) The Group previously entered into a sale and purchase agreement with an independent third party to dispose of its entire equity interest in Oriental Press Centre Limited at a consideration of HK\$515,561,000.

The transaction was completed during the period, resulting in a gain on disposal of a subsidiary of approximately HK\$398,824,000 which is recognised in the condensed consolidated income statement.

- (b) The Group previously entered into a sale and purchase agreement (the "Agreement") with an independent third party (the "Acquirer I") for disposing of an investment property situated in Australia (the "Australia Investment Property") at a consideration of Australian dollars ("AUD") 8,100,000.

The Acquirer I failed to complete the Agreement on the expected completion date. As a result, the Group has forfeited the security deposit and penalty paid by the Acquirer I of AUD640,000 (equivalent to approximately HK\$3,283,000) which is recognised in "Other income" of the condensed consolidated income statement.

- (c) The Group previously entered into a Put and Call Option Deed (the "Option Deed") with an independent third party (the "Acquirer II") to grant to the Acquirer II the call option to acquire the Group's investment property (the "Hotel Property") situated in Australia at a consideration of AUD18,200,000 during the period between 10 October 2007 and 15 September 2008 and to grant the Group the put option to sell the Hotel Property at the same consideration during the period between 15 September 2008 and 31 October 2008. During the call option period, the Option Deed also granted the Group a right to sell the Hotel Property by serving a put option advance settlement notice. On 7 May 2008, the Group served a put option advance settlement notice to the Acquirer II to exercise the put option as granted in the Option Deed and the completion date of the disposal of the Hotel Property was fixed on 23 September 2008.

On 23 September 2008, the Acquirer II failed to fulfil their obligations under the Option Deed which required to acquire the Hotel Property of the Group. As a result, the Group proposed to forfeit the security deposit paid by the Acquirer II of AUD1,820,000 (equivalent to approximately HK\$9,337,000) which is held on behalf by the legal representative of the Group of this transaction. In the meantime, the Acquirer II has taken proceedings from court in Australia to request for refund the security deposit paid on the ground that the Group has breached the terms and conditions stated in the Option Deed. At 30 September 2008, the legal proceedings were still continuing. The Directors are of the opinion that the maximum contingent liability should be the security deposit paid by the Acquirer II and an estimated legal fee of the proceedings, which will not have a material adverse impact upon the Group's financial position.

At 30 September 2008, the Directors resolved not to continue to commit the sale plans in connection with the disposal of the Australia Investment Property and the Hotel Property as mentioned in note (b) and (c) above given the change in market conditions. As a result, the Australia Investment Property and the Hotel Property at their fair value of approximately HK\$36,683,000 and HK\$104,627,000 respectively, together with deferred tax liabilities associated with the Hotel Property classified as held for sale of approximately HK\$5,862,000 would not continue to be classified as held for sale. The fair value was determined by the Directors with reference to the estimated market value.



11. TRADE PAYABLES

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

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
0 – 60 days	51,039	84,814
61 – 90 days	2,338	1,281
Over 90 days	5,595	6,973
	<u>58,972</u>	<u>93,068</u>

12. BORROWINGS

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
Borrowings wholly repayable within five years:		
Bank loans	167,835	93,149
Other loan	6,704	7,449
Obligations under finance leases	2,962	3,196
	<u>177,501</u>	<u>103,794</u>
Less: Current portion due within one year included under current liabilities		
Bank loans	167,835	93,149
Other loan	6,704	7,449
Obligations under finance leases	559	499
	<u>175,098</u>	<u>101,097</u>
Non-current portion included under non-current liabilities		
Bank loans	–	–
Other loan	–	–
Obligations under finance leases	2,403	2,697
	<u>2,403</u>	<u>2,697</u>

At 30 September 2008, the bank loans denominated in AUD were secured by pledged bank deposits of the Group amounting to approximately HK\$596,710,000 (31 March 2008: HK\$116,437,000) and bore interests at variable rate range from 7.68% to 8.29% and AUD's LIBOR plus 0.3% per annum (six months ended 30 September 2007: AUD's LIBOR plus 0.3%).

At 30 September 2008, 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 2007: 4% per annum) and repayable on demand.

The carrying amounts of borrowings approximate their fair value.



12. BORROWINGS (Continued)

The analysis of the obligations under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
Obligation under finance leases:				
Due within one year	987	987	559	499
Due in the second to fifth years	2,962	3,455	2,403	2,697
	<u>3,949</u>	<u>4,442</u>	<u>2,962</u>	<u>3,196</u>
Less: future finance charges on finance lease	(987)	(1,246)		
Present value of lease obligations	<u>2,962</u>	<u>3,196</u>		
Less: Amount due for settlement within one year included under current liabilities			(559)	(499)
Amount due for settlement in the second to the fifth years included under non-current liabilities			<u>2,403</u>	<u>2,697</u>

The Group has entered into finance leases for certain plant, machinery and printing equipments. The leases run for a period of five years and do not have an option to renew the lease terms. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the lease assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets and are all denominated in Hong Kong dollars.

13. SHARE CAPITAL

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.25 each	1,250,000	1,250,000
Issued and fully paid:		
2,397,917,898 ordinary shares of HK\$0.25 each	599,479	599,479



14. 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:

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
Within one year	3,569	3,373
In the second to fifth years	815	1,265
	4,384	4,638

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 dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

15. 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 (including those reclassified as non-current assets held for sale) as follows:

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
Within one year	4,208	28,240
In the second to fifth years	2,355	64,973
Later than five years	-	7,063
	6,563	100,276

The Group leases its investment properties under operating lease arrangements which run for an initial period of one to five years, with and without an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits. None of the leases include contingent rentals receivable.

At 31 March 2008, the future aggregate minimum lease receipts under non-cancellable operating leases of certain investment properties reclassified as non-current assets held for sales were approximately HK\$98,365,000.

16. RELATED PARTY TRANSACTIONS

The Group paid legal fees amounting to approximately HK\$2,479,000 (six months ended 30 September 2007: HK\$695,000) to Messrs. lu, Lai & Li. Mr. Dominic LAI, a non-executive director of the Company, is a senior partner of Messrs. lu, Lai & Li during the period. The transaction prices were considered by the Directors as estimated market value.

17. CAPITAL COMMITMENTS

	30.9.2008 (Unaudited) HK\$'000	31.3.2008 (Audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	3,030	588

18. 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.

19. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These interim financial statements were approved by the Board of Directors on 5 December 2008.



RESULTS

For the six months ended 30 September 2008, the Group's unaudited profit attributable to shareholders amounted to HK\$475,543,000.

DIVIDEND

The Directors have declared an interim dividend of HK1 cent (2007: HK2.5 cents) per share and a special dividend of HK5 cents per share (2007: Nil), payable to the shareholders whose names appear on the Register of Members on 8 January 2009. The interim and special dividends will be payable on 14 January 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 5 January 2009 to 8 January 2009, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim and special dividends, 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 2 January 2009.

BUSINESS REVIEW

"**Oriental Daily News**" continues to be the best-selling Chinese newspaper with the largest readership in Hong Kong for 32 consecutive years. The global financial crisis that hit Hong Kong during the period under report has proved once again that the paper is indeed the mouthpiece of the local community and beats with one heart with the Hong Kong people. Over the distress caused by Lehman Brothers mini bonds, "Oriental Daily News" has come to the support of the victims and has, through its editorials, exert pressure on the Government and the banks concerned to effect speedy resolution to the matter. As for livelihood issues, the paper is well aware of the difficulties faced by the public at large and the elderly in particular and has been persistent in calling on the Government to address the problem. The Government has finally yielded to public opinion and has decided to increase the Old Age Allowance and to shelve the proposed means test. All these have demonstrated the influence of "Oriental Daily News" as a paper with clear standpoint that sets it apart from all other local newspapers, and as a paper that is truly "The Paper for Hong Kong" that reflects the people's needs.



"**The Sun**", even more distinctive and vocal in style, is firmly in position as the third leading Chinese newspaper in Hong Kong. Targeting at the younger generations, adopting a more proactive and critical journalistic approach, dissecting social ills and exposing inconvenient truths, "The Sun" is a daring and aggressive paper that will not shy away from use of scathing remarks in order to draw public attention to social concerns.

"**on.cc**", the flagship online portal of Oriental Press Group, boasts the largest number of news products available online in Hong Kong and has attracted as many as 2,200,000 non-repetitive visitors in a single month. Aiming to provide the fastest, latest and most in-depth information to netizens, "on.cc" has benefited from the huge demand brought about by the recent strings of breaking news that affected every walk of life. During the period, advertising income for "on.cc" increased because of the boom in online advertising.

"**ontv**", a free online television service newly launched in March, has been well received. It has changed net surfers' habit of forwarding online news and information. In addition to posting texts and pictures on bulletin boards, social networks and instant messages, net surfers now include "ontv" links as well. Thus, televised news on Typhoon Parrot, Canton Pop singer Kelly Chan's wedding, the presidential election of the USA and even the latest mobile phone models are now widely circulated at the very first instance. In turn, the circulation speed and multiplication effect of the internet have brought even more young users to "ontv". As a result, the number of viewers has substantially grown since the service was launched, and the number of monthly non-repetitive visitors reached 650,000.

"ontv" is now offering as many as 20 programs. Among them, the commentaries programs are hosted in different styles and in different formats to analyse the current issues in town. Due to their perceptive analyses, the programs have become an influential interactive forum for debate on political issues. In immediate response to the volatile global financial market, "ontv Finance" introduced a daily program to offer investment analyses before the market commences trading. There are also financial news updates round-the-clock so as to keep our viewers constantly informed of the movement and development in the local and global markets. Taking advantage of the benefits of both TV and online advertising, "ontv" has provided advertisers with an interactive platform and a wide variety of formats to choose from. The appeal of television and the interactivity of an online service strengthen audiences' impression of the marketed products. It is easier to measure the efficiency of the marketing campaign on "ontv" than conventional television, and thus has attracted brands that rarely advertised on the internet.



Turning to overseas investment, the Group's commercial buildings have continued to contribute to the Group by its steady rental income. As for the sale of the shopping mall, which was originally scheduled to complete on 16 September 2008, the Group issued a notice of termination of contract to the purchaser on 17 September 2008 and forfeited the security deposit and penalty of equivalent to approximately HK\$3,283,000 since the purchaser had failed to complete the transaction on scheduled completion date. As for the sale of the Group's hotel in overseas, the Group received a Notice of Rescission from the purchaser on 18 September 2008, the agreed date of completion. In response, the Group officially issued a notice of termination of contract to the purchaser on 23 September 2008. In late September, the purchaser filed a claim in court for return of the deposit. The Group will file a defence and counter claim against the purchaser for forfeiture of the deposit. Currently, the litigation is still in progress. Also, on 23 September 2008, the Group issued to the purchaser a notice of termination of its hotel operating licence agreement, which took effect on 24 October 2008. On 28 October 2008, the Group entered into a hotel operating licence agreement with another company to grant that company a licence to operate the hotel for a term of one year. The Group will receive an annual income of equivalent to approximately HK\$3,949,800 under the new hotel operating licence agreement.

BUSINESS OUTLOOK

In face of the current global financial crisis, the Group will adopt as before a conservative and prudent strategy in its development. When the Hong Kong economy stabilises, the Group will reassess the market situation and readjust its development strategies accordingly.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital at 30 September 2008 amounted to HK\$1,818,583,000 (31 March 2008: HK\$1,754,209,000), which includes unpledged time deposits, bank balances and cash amounting to HK\$1,124,526,000 (31 March 2008: HK\$1,350,772,000).

At 30 September 2008, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 5.8% (31 March 2008: 3.7%). The bank loans of HK\$167,835,000 are secured by pledged bank deposits of HK\$596,710,000.

During the period, the Group's capital expenditure was approximately HK\$108,962,000.

EMPLOYEES

At 30 September 2008, the Group employed 2,310 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 2008 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 2008 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 2008.

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 2008, 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	-	-	-	1,459,061,800 (Note)	1,459,061,800	60.85%
Ching-choi MA	One of the beneficiaries of a discretionary trust	-	-	-	1,459,061,800 (Note)	1,459,061,800	60.85%
Shun-chuen LAM	Founder of a discretionary trust	-	-	-	1,459,061,800 (Note)	1,459,061,800	60.85%

Note:

Such 1,459,061,800 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 333,414,400 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 1,459,061,800 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 2008, 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 2008, 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	1,459,061,800 (Note)	60.85%
Wonderful Star Limited	Interest of controlled corporations	1,459,061,800 (Note)	60.85%
Magicway Investment Limited	Interest of controlled corporations	1,459,061,800 (Note)	60.85%
Ever Holdings Limited	Beneficial owner and interest of controlled corporations	1,459,061,800 (Note)	60.85%
Tarbela Company Limited	Beneficial owner	681,037,500 (Note)	28.40%
Tarboca Company Limited	Beneficial owner	360,328,020 (Note)	15.03%
Sermost Limited	Beneficial owner	333,414,400 (Note)	13.90%
Mui-fong HUNG	Interest of spouse	1,459,061,800 (Note)	60.85%
Maria Lai-chun CHAN	Interest of spouse	1,459,061,800 (Note)	60.85%

Note:

Such 1,459,061,800 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 333,414,400 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, 5 December 2008

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.