東方報業集團有限公司

ORIENTAL PRESS GROUP LTD

(Stock Code：18)

2011
INTERIM REPORT

The Directors of Oriental Press Group Limited (the "Company") announce that the unaudited consolidated results for the six months ended 30 September 2011 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 STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

		Six months ended	
		30.9.2011	30.9.2010
		(Unaudited)	(Unaudited)
	Note	**HK$'000**	HK$'000
Revenue		**781,734**	813,010
Other income		**23,969**	34,583
Raw materials and consumables used		**(261,370)**	(226,800)
Staff costs including directors' emoluments		**(325,328)**	(320,894)
Depreciation		**(28,357)**	(27,539)
Other operating expenses		**(116,490)**	(85,100)
Net surplus on revaluation of property, plant and equipment		**4,560**	—
Net gain/(loss) on disposal of property, plant and equipment		**130**	(9,121)
Profit from operations		**78,848**	178,139
Finance costs		**(480)**	(646)
Profit before income tax		**78,368**	177,493
Income tax expense	5	**(10,961)**	(20,783)
Profit for the period		**67,407**	156,710
Other comprehensive income/(loss)			
— Exchange (loss)/gain on translation of financial statements of foreign operations		**(240)**	1,300

	Note	Six months ended 30.9.2011 (Unaudited) HK$'000	30.9.2010 (Unaudited) HK$'000
Other comprehensive income/(loss) for the period		**(240)**	1,300
Total comprehensive income for the period		**67,167**	158,010
Profit for the period attributable to:			
Equity holders of the Company		**67,586**	156,725
Non-controlling interests		**(179)**	(15)
		67,407	156,710
Total comprehensive income attributable to:			
Equity holders of the Company		**67,398**	157,905
Non-controlling interests		**(231)**	105
		67,167	158,010
Dividends	6		
Interim dividend		**47,958**	—
Special dividend		**215,813**	—
		263,771	—
Earnings per share for profit attributable to equity holders of the Company during the period	7		
— Basic		**HK2.82 cents**	HK6.54 cents
— Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

	Note	**30.9.2011 (Unaudited) HK$'000**	31.3.2011 (Audited) HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	8	**787,501**	803,504
Leasehold land		**27,966**	28,359
Investment properties	9	**286,606**	301,200
Available-for-sale financial asset		**4,745**	4,745
Deferred tax assets		**44,942**	42,574
		1,151,760	1,180,382
Current assets			
Inventories		**148,856**	109,156
Trade receivables	10	**277,728**	260,382
Other debtors, deposits and prepayments		**13,153**	15,294
Taxation recoverable		**7,727**	4,075
Cash and cash equivalents		**1,768,773**	1,963,031
		2,216,237	2,351,938
Current liabilities			
Trade payables	11	**40,829**	47,551
Other creditors, accruals and deposits received		**131,717**	99,415
Taxation payable		**16,648**	8,895
Borrowings	12	**9,555**	9,803
		198,749	165,664

	Note	**30.9.2011 (Unaudited) HK$'000**	31.3.2011 (Audited) HK$'000
Net current assets		**2,017,488**	2,186,274
Total assets less current liabilities		**3,169,248**	3,366,656
Non-current liabilities			
Borrowings	12	**505**	1,331
Deferred tax liabilities		**79,668**	79,646
		80,173	80,977
Net assets		**3,089,075**	3,285,679
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	13	**599,479**	599,479
Reserves		**2,488,011**	2,684,384
		3,087,490	3,283,863
Non-controlling interests		**1,585**	1,816
Total equity		**3,089,075**	3,285,679

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	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 *(Note)*	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1 April 2010	599,479	814,485	24,348	11,162	1,539,923	–	2,989,397	2,668	2,992,065
Profit for the period	–	–	–	–	156,725	–	156,725	(15)	156,710
Other comprehensive income									
– Exchange gain on translation of financial statements of foreign operations	–	–	1,180	–	–	–	1,180	120	1,300
Total comprehensive income for the period	–	–	1,180	–	156,725	–	157,905	105	158,010
At 30 September 2010 (unaudited)	599,479	814,485	25,528	11,162	1,696,648	–	3,147,302	2,773	3,150,075
At 1 April 2011	599,479	814,485	28,999	9,700	1,567,429	263,771	3,283,863	1,816	3,285,679
Dividends paid	–	–	–	–	–	(263,771)	(263,771)	–	(263,771)
Interim dividend proposed	–	–	–	–	(47,958)	47,958	–	–	–
Special dividend proposed	–	–	–	–	(215,813)	215,813	–	–	–
Dividends proposed	–	–	–	–	(263,771)	263,771	–	–	–
Transactions with equity holders	–	–	–	–	(263,771)	–	(263,771)	–	(263,771)
Profit for the period	–	–	–	–	67,586	–	67,586	(179)	67,407
Other comprehensive income									
– Exchange gain on translation of financial statements of foreign operations	–	–	(188)	–	–	–	(188)	(52)	(240)
Total comprehensive income for the period	–	–	(188)	–	67,586	–	67,398	(231)	67,167
At 30 September 2011 (unaudited)	599,479	814,485	28,811	9,700	1,371,244	263,771	3,087,490	1,585	3,089,075

Note: These reserve accounts comprise the consolidated reserves of HK$2,488,011,000 (31 March 2011: HK$2,684,384,000) in the condensed consolidated statement of financial position of the Group.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Six months ended	
	30.9.2011	30.9.2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash generated from operating activities	**66,933**	87,001
Net cash used in investing activities	**(30)**	(8,477)
Net cash used in financing activities	**(264,405)**	(441)
(Decrease)/Increase in cash and cash equivalents	**(197,502)**	78,083
Cash and cash equivalents at beginning of the period	**1,963,031**	1,695,667
Effect of foreign exchange rate changes	**3,244**	7,132
Cash and cash equivalents at end of the period	**1,768,773**	1,780,882

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements are unaudited, condensed and have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those used in the Group's audited financial statements for the year ended 31 March 2011, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRS"), HKASs and Interpretations (hereinafter collectively referred to as the "new and revised HKFRSs"), which have become effective for accounting periods beginning on or after 1 April 2011, that are adopted for the first time for the current period's financial statements:

HKFRS 1 Amendments	Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Amendment to HKAS 32 Financial Instruments: Presentation — Classification of Rights Issues
HK(IFRIC) — Int 14 (Amendments)	Amendments to HK(IFRIC) — Int 14 Prepayments of a Minimum Funding Requirement
HK(IFRIC) — Int 19	Extinguishing Financial Liabilities with Equity Instruments

Apart from the above, the Group also adopted Improvements to HKFRSs 2010 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated interim financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company did not use any critical accounting estimates and judgements in the preparation of the financial statements. Estimates and judgements, if used, are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4. SEGMENT INFORMATION

Based on the regular internal financial information reported to the Group's executive directors, being the chief operating decision makers, for their decision about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one reportable operating segment, the publication of newspapers. The revenue of other operating segments includes rental income from investment properties, license fee income from hotel property and income from staff canteen operation.

4. SEGMENT INFORMATION (Continued)

Reportable segment revenue represented turnover of the Group in the consolidated income statement. Reconciliations between the reportable segment profit/(loss) to the Group's profit before income tax is presented below:

	Six months ended					
	Publication of newspapers		All other segments		Total	
	30.9.2011	30.9.2010	**30.9.2011**	30.9.2010	**30.9.2011**	30.9.2010
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Reportable segment revenue from external customers	**769,329**	807,094	**12,405**	5,916	**781,734**	813,010
Reportable segment profit/(loss)	**98,215**	183,000	**(2,541)**	(9,181)	**95,674**	173,819
Unallocated corporate income					**17,071**	23,936
Unallocated corporate expenses					**(34,377)**	(20,262)
Profit before income tax					**78,368**	177,493
Other information						
Interest expenses	**(307)**	(499)	**(174)**	(147)	**(480)**	(646)
Depreciation and amortisation	**(716,401)**	(27,750)	**(745,152)**	(184)	**(28,750)**	(27,932)
Net surplus on revaluation of property, plant and equipment	**4,560**	–	**–**	–	**4,560**	–
Additions to non-current assets during the period (excluding deferred tax assets)	**8,011**	10,271	**1,123**	–	**9,134**	10,271

4. **SEGMENT INFORMATION** (Continued)

Reportable segment assets and liabilities

	Publication of newspapers		All other segments		Unallocated		Total	
	30.9.2011	31.3.2011	**30.9.2011**	31.3.2011	**30.9.2011**	31.3.2011	**30.9.2011**	31.3.2011
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**1,303,885**	1,251,232	**290,594**	313,312	**–**	–	**1,594,479**	1,564,544
Available-for-sale financial asset	**–**	–	**–**	–	**4,745**	4,745	**4,745**	4,745
Cash and cash equivalent	**–**	–	**–**	–	**1,768,773**	1,963,031	**1,768,773**	1,963,031
Consolidated total assets	**1,303,885**	1,251,232	**290,594**	313,312	**1,773,518**	1,967,776	**3,367,997**	3,532,320
LIABILITIES								
Segment liabilities	**(265,884)**	234,466	**(13,038)**	12,175	**–**	–	**(278,922)**	246,641

In order to provide a more detail segment assets information, the comparative figures of segment assets have been reclassified to conform to the current year's presentation.

The Group's revenue from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	9.2011	9.2010	**9.2011**	3.2011
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (country of domicile)	**774,121**	807,094	**811,353**	826,827
Australia	**7,613**	5,916	**290,720**	306,236
	781,734	813,010	**1,102,073**	1,133,063

4. **SEGMENT INFORMATION** (Continued)

The geographical location of customers is determined based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets (other than financial instruments and deferred tax assets) is determined based on the physical location of the assets. For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets (other than financial instruments and deferred tax assets), country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

During the period, HK$265,599,480 (2010: HK$275,743,310) out of the Group's revenue of HK$781,734,000 was contributed by two (2010: one) customers. No other single customer contributed 10% or more to the Group's revenue for both period in 2011 and 2010.

5. **INCOME TAX EXPENSE**

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2010: 16.5%) of the estimated assessable profit for the period.

	Six months ended	
	30.9.2011	30.9.2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax :		
Hong Kong Profits Tax for the period	**15,281**	27,363
Deferred taxation :		
Current year	**(4,320)**	(6,580)
	10,961	20,783

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.

6. DIVIDENDS

On 11 November 2011, the Directors have resolved to pay interim dividend of HK2 cents per share (six months ended 30 September 2010 : Nil) and special dividend of HK9 cents per share (six months ended 30 September 2010 : Nil) to shareholders of the Company whose names appear in the Register of Members on 30 November 2011.

7. 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$67,586,000 (six months ended 30 September 2010: HK$156,725,000) and on 2,397,917,898 (six months ended 30 September 2010: 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.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired plant and equipment of approximately HK$8,027,000. Property, plant and equipment with carrying amount of HK$29,000 were disposed of during the period.

At 30 September 2011, the carrying amounts of the Group's land and buildings were stated at fair value, which was determined by the Directors with reference to the estimated market value.

9. INVESTMENT PROPERTIES

During the period, the addition of investment property is approximately HK$1,107,000. No disposal of investments properties were made during the period.

At 30 September 2011, 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.

10. 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 aging analysis of trade receivables after deducting the provision for impairment loss at the dates of statement of financial position:

	30.9.2011	31.3.2011
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0–60 days	**122,158**	102,275
61–90 days	**51,165**	48,860
Over 90 days	**104,405**	109,247
	277,728	260,382

11. TRADE PAYABLES

The following is an aging analysis of trade payables at the dates of the statement of financial position:

	30.9.2011	31.3.2011
	(Unaudited)	(Audited)
	HK$'000	HK$'000
0–60 days	**37,700**	40,884
61–90 days	**976**	3,126
Over 90 days	**2,153**	3,541
	40,829	47,551

12. BORROWINGS

	30.9.2011 (Unaudited) HK$'000	31.3.2011 (Audited) HK$'000
Borrowings wholly repayable within five years:		
— Other loan	**8,000**	8,440
— Obligations under finance leases	**2,060**	2,694
	10,060	11,134
Less: Current portion due within one year included under current liabilities		
— Other loan	**8,000**	8,440
— Obligations under finance leases	**1,555**	1,363
	9,555	9,803
Non-current portion included under non-current liabilities		
— Obligations under finance leases	**505**	1,331

At 30 September 2011 and 31 March 2011, other loan which denominated in Australian dollars, which was made by a minority shareholder of a subsidiary of the Company. It was unsecured, bearing interest at 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 lease is as follows:

	Minimum lease payments		Present value of Minimum lease payments	
	30.9.2011	31.3.2011	**30.9.2011**	31.3.2011
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
	HK$'000	HK$'000	**HK$'000**	HK$'000
Obligation under finance leases:				
Due within one year	**1,880**	1,880	**1,555**	1,363
Due in the second to fifth years	**570**	1,509	**505**	1,331
	2,450	3,389	**2,060**	2,694
Less: Future finance charges on finance lease	**(390)**	(695)		
Present value of lease obligations	**2,060**	2,694		
Less: Amount due for settlement within one year included under current liabilities			**(1,555)**	(1,363)
Amount due for settlement in the second to fifth years included under non-current liabilities			**505**	1,331

The Group has entered into finance leases for certain plant, machinery and printing equipment. 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

	30.9.2011 (Unaudited) HK$'000	31.3.2011 (Audited) HK$'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 dates of statement of financial position, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	30.9.2011 (Unaudited) HK$'000	31.3.2011 (Audited) HK$'000
Within one year	**2,145**	5,537
In the second to fifth years	**–**	877
	2,145	6,414

The Group leases a number of premises under operating leases. The leases run for an initial period of one to three 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 rentals.

15. OPERATING LEASE ARRANGEMENTS

At the dates of statement of financial position, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	30.9.2011 (Unaudited) HK$'000	31.3.2011 (Audited) HK$'000
Within one year	**7,674**	5,792
In the second to fifth years	**10,876**	7,663
	18,550	13,455

The Group leases its investment properties under operating lease arrangements which run for an initial period of half to five years, with and without 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 also require the tenants to pay security deposits. None of the leases include contingent rentals receivables.

16. RELATED PARTY TRANSACTIONS

The Group paid legal fees amounting to approximately HK$2,660,935 (six months ended 30 September 2010: HK$1,654,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, a non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li during the period. The transaction prices were considered by the Directors as estimated market value.

17. CAPITAL COMMITMENTS

	30.9.2011 (Unaudited) HK$'000	31.3.2011 (Audited) HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment and refurbishment to investment properties, contracted but not provided for in the financial statements	**413**	583
	413	583

At 30 September 2011 and 31 March 2011 the Company did not have any significant capital commitments.

18. OUTSTANDING LITIGATIONS

At the dates of statement of financial position, 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 11 November 2011.

20. CONTINGENT LIABILITIES

The Company has executed guarantees amounting to approximately HK$125,000,000 (31 March 2011: HK$125,000,000) with respect to banking facilities granted to subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the reporting date, the guarantees were utilized to the extent of approximately HK$5,854,000 (31 March 2011: HK$20,711,000). No provision for the Company's obligation under the guarantee contract has been made as the Directors considered that it was not probable that the repayment of the loan would be in default.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the six months ended 30 September 2011, the Group's unaudited consolidated profit attributable to shareholders of the Company amounted to HK$67,586,000.

DIVIDEND

Since the Group has already had sufficient cash reserve to meet requirement in case there is suitable investment opportunity, the Directors have resolved to declare an interim dividend of HK2 cents per share (2010 : Nil) and a special dividend of HK9 cents per share (2010: Nil), payable to the shareholders whose names appear on the Register of Members on 30 November 2011. The interim and the special dividends will be payable on 8 December 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 28 November 2011 to 30 November 2011, 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 with the relevant share certificates must be deposited at the Company's share registrar, Tricor Friendly Limited, whose address is 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on 25 November 2011.

BUSINESS REVIEW

"**Oriental Daily News**" continues to be the best-selling and most widely read newspaper in Hong Kong which has been so for the last 35 consecutive years, and is truly "The Paper for Hong Kong". According to the research of one of the four largest international marketing research companies in Hong Kong, Oracle Added Value, the readership of "Oriental Daily News" has hit a record high of 3,440,272 in March 2010 which was a 13%, that is, 404,739 readers, increment compared to the readership research reported in June 2008. As a popular and influential newspaper, "Oriental Daily News" is preferred by many readers and advertisers for its unparalleled fast, accurate and comprehensive news coverage. In September this year, "Oriental Daily News" launched a promotion campaign for readers, boosting its sales and benefiting more readers who enjoy high-quality news, resulting in increase in the volume of advertisements, especially advertisements for famous fashion brands, attracting a large number of high power consumer-readers.

"**The Sun**" is holding fast as the third best-selling Chinese newspaper in Hong Kong. According to the research of one of the four largest international marketing research companies in Hong Kong, Oracle Added Value, the readership of "The Sun" has hit 1,295,913 in March 2010 which was a

28%, that is, 284,069 readers, increment compared with the results in June 2008. Following the "great revamp" on 18 August this year, "The Sun" now takes on a new look with a refreshing and easy-to-read new layout, vivid colour design and attractive contents, catering for young people who prefer visual display and format. With its new layout, together with ongoing improvement in its tabloid size supplement — the sunlife, "The Sun" has successfully retained young readers and attracted trendy fashion advertisers. During the period, "The Sun" has adjusted its selling price to repay readers for their support, leading to soaring sales and steady growth. As a result, "The Sun" has gained remarkable market recognition following its "revamp", and its sales volume is approaching that of the second best-selling position.

"**on.cc**", the flagship online portal of the Group, is committed to the mission of expanding readership and providing a better marketing platform for advertisers. "on.cc" is now attracting up to 3.42 million monthly unique visitors. According to the report published in June 2011 by comScore Media Metrix, an international market research company, "on.cc" is the news portal of the highest page views in Hong Kong. This shows that "on.cc" has received extensive support from new age readers and audience. In July, the Group's papers published news about the high-speed train collision in Wenzhou, China, titled "Man-made Disaster and National Humiliation". The story was spread widely through Microblogs, attracting 1 million monthly unique viewers from China. This showed the importance of the Group's news coverage among the new media. In view of the popularization of smart phone, "on.cc" held the first voting on smart phone applications in Hong Kong in June, attracting the attention and enthusiastic sponsorship from developers and advertisers. In August, "on.cc" held another major event — election of IT spokesperson at the Computer Festival. The event further increased page views through voting at the website and via mobile phones.

"**Money 18**" keeps improving its functions and quality of contents to respond to trade competition arising from the provision of free stock quote by the Hong Kong Stock Exchange since April 2011. This effort, in conjunction with the Group's financial news, has boosted the number of monthly unique visitors to a record high of 1.18 million in August. The page views through various mobile platforms, whether iOS or Android applications, have been on the increase, making the website an advertising medium of choice for consumer goods and financial advertisers.

"**ontv**" has launched a channel at Samsung Smart TV, after its earlier launch at Sony, providing entertainment and life programmes, and enabling the audience to enjoy real-time television news anytime, anywhere.

The overseas property investments have continued to bring in steady rental income for the Group.

BUSINESS OUTLOOK

We believe that economy of Hong Kong will continue to be affected adversely by two major economies, the United States and Europe, in the second half of the year. Market statistics show that the economic growth of the United States is losing momentum. The debt crisis in Europe will have an adverse impact on the stock market and property market of Hong Kong. These factors, coupled with the tightening monetary policy maintained by Mainland China, are expected to result in cautious investment sentiment. Therefore, advertisers are adjusting their promotion strategies and tend to use lower-cost advertising media such as Internet or social networking websites. This trend would probably cause a decrease in the advertising income of the Group's newspapers. In addition, the Group's production cost remains high given the high prices of newsprint and ink. As a result, there might be a set back in the Group's profits for the coming year.

Although there are a number of free newspapers in Hong Kong, they have little effect on the performance of the Group. The Group believes that readers of paid newspapers and readers of free newspapers have different expectations on the quality of contents. In fact, a majority of readers still value the quality of news. In addition, with the two newspapers of the Group taking up a 60% market share in the market of paid newspapers, the leading position of the Group in the newspaper industry of Hong Kong remains solid. The Group will closely monitor the developments of the free newspaper market, draw on the experience in providing free publications such as "FLASH on Weekly" and "Luxe life" distributed with newspapers, and plan for the other publications in the future.

Given the rapid development of mobile platforms, "on.cc" has kept abreast of the latest trend and made its way into smart phones successfully. The next target of advertisers is Android for the tablet PC market. "on.cc" will keep upgrading all applications including Android to enable readers and audience prompt access to information. In addition, "on.cc" will enhance its cooperation with advertisers and hold activities using new media, with a view to maintaining its leading market position as advertisers perceive it. The Group will give full support to "on.cc" in developing its one-stop advertising service, helping advertisers to reach the whole of the Hong Kong market efficiently. "Money 18" will continue its innovation to meet the needs of securities dealers for various data on stocks and warrants in the future. It also intends to expand its business to smart phones, enabling smart phone users prompt access to accurate information so as to make "smart" investment decisions.

The Group has been seeking other investment opportunities actively to diversify the risks involved in the competition in the newspaper industry, however, in view of the current economic environment, the Board believes that in-depth study and analysis of various investment projects are necessary in order to protect the interests of our shareholders.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital at 30 September 2011 amounted to HK$2,017,488,000 (31 March 2011: HK$2,186,274,000), which includes time deposits, bank balances and cash amounting to HK$1,768,773,000 (31 March 2011: HK$1,963,031,000).

At 30 September 2011, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 0.3% (31 March 2011: 0.3%).

During the period, the Group's capital expenditure was approximately HK$9,134,000.

EMPLOYEES

At 30 September 2011, the Group employed 2,155 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 Group mainly operates in Hong Kong and most of the Group's transactions are carried out in Hong Kong dollars. The Group is exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the group entities. The currencies giving rise to this risk are primarily US dollars and Australian dollars. Currently the Group does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure where appropriate.

CORPORATE GOVERNANCE

The Audit Committee of the Company comprises two independent non-executive directors and one non-executive director. The Committee has reviewed the unaudited interim financial statements for the six months ended 30 September 2011 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 Nomination Committee of the Company comprises two independent non-executive directors. The Committee is principally responsible for selecting, or making recommendations to the Board on the selection of, individuals nominated for directorships.

The Investment Committee of the Company comprises two executive directors and one independent non-executive director. Their duties include to enhance the Company's risk management and to provide market information, advice and recommendations to the Board on the Company's proposed investments which are not in relation to the core business.

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 2011 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 2011.

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 2011, the directors, the chief executive and their respective associates had interests in the shares and underlying shares of the Company as recorded in register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO") as follows:

Interests in the Company

		Number of ordinary shares held					
Name of Director	**Capacity**	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total**	**Percentage of shareholding**
Ching-fat MA	Founder of a discretionary trust	–	–	–	1,798,437,284 *(Note)*	1,798,437,284	75.00%

Note:

Mr. Ching-fat MA is the founder of Marsun Trust, and Marsun Group Limited, as the trustee of Marsun Trust, holds approximately 57.3% interest in Magicway Investment Limited. Magicway Investment Limited in turn holds 1,222,941,284 shares in the Company, and 329,710,000 shares through Ever Holdings Limited, 149,870,000 shares through Perfect Deal Trading Limited and 95,916,000 shares through Prosper Time Trading Limited, all being its wholly-owned subsidiaries. Mr. Ching-fat MA, as the founder of Marsun Trust, is deemed to be interested in the same parcel of shares comprised in the trust assets of Marsun Trust under the SFO.

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 or the chief executive or their associates had, as at 30 September 2011, any interest in, or had been granted any right to subscribe for the securities and options of the Company and its abovementioned associated corporations, or had exercised any such rights.

DISCLOSABLE INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS UNDER THE SFO

At 30 September 2011, 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
Marsun Group Limited	Trustee	1,798,437,284 *(Note)*	75.00%
Marsun Holdings Limited	Interest of controlled corporations	1,798,437,284 *(Note)*	75.00%
Magicway Investment Limited	Beneficial owner and interest of controlled corporations	1,798,437,284 *(Note)*	75.00%
Ever Holdings Limited	Beneficial owner	329,710,000 *(Note)*	13.75%
Perfect Deal Trading Limited	Beneficial owner	149,870,000 *(Note)*	6.25%
Mui-fong HUNG	Interest of spouse	1,798,437,284 *(Note)*	75.00%

Note:

Marsun Group Limited, as the trustee of Marsun Trust, holds approximately 57.3% interest in Magicway Investment Limited through its wholly-owned subsidiary, Marsun Holdings Limited. Magicway Investment Limited in turn holds 1,222,941,284 shares in the Company, and 329,710,000 shares through Ever Holdings Limited, 149,870,000 shares through Perfect Deal Trading Limited and 95,916,000 shares through Prosper Time Trading Limited, all being its wholly-owned subsidiaries. Marsun Group Limited, as the trustee of Marsun Trust, is deemed to be interested in the same parcel of shares comprised in the trust assets of Marsun Trust under the SFO and Marsun Holdings Limited, by virtue of its interest in Magicway Investment Limited, is deemed to be interested in the same parcel of shares in which Magicway Investment Limited and its wholly-owned subsidiaries are interested.

Ms. Mui-fong HUNG, as the spouse of Mr. Ching-fat MA, is deemed to be interested in the same parcel of shares comprised in the trust assets of Marsun Trust under the SFO as Mr. Ching-fat MA is the founder of Marsun Trust and also a director 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, 11 November 2011

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.