



In the light of these factors, the Group will maintain its strategy of optimising the established strength and reputation of its core businesses in Hong Kong, while continuing to look to the Taiwan market for potential substantial growth, in terms of both revenue and profit.

While further developing its existing publications in Taiwan, the Group also launched *Sharp Daily*, the Group's first free daily newspaper, during October 2006. The initial print run of 160,000 copies is being distributed to the public in the Taipei area. The Group believes this new daily will appeal to readers and advertisers alike; and it is aggressively and competitively marketing advertising space in its pages.

SOURCES:

- <sup>1</sup> Hong Kong Audit Bureau of Circulations Ltd.
- <sup>2</sup> 2006 Nielsen Media Index: Hong Kong Report (July 2005-June 2006)
- <sup>3</sup> The Audit Bureau of Circulations, R.O.C.
- <sup>4</sup> Media Index (Jan-June 2006), Nielsen Media Research, Taiwan

#### LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations principally with cash flow generated from its operating activities and, to a lesser extent, bank facilities provided by its principal bankers.

As at 30 September 2006, the Group had banking facilities totalling HK\$425.9 million available, of which HK\$220.6 million had been utilised. All bank borrowings bear interest at floating rates. There is no seasonality for its borrowing requirements. The Group's bank borrowings were denominated solely in New Taiwanese Dollars.

On the same date, the Group had HK\$486.3 million in bank balances and cash reserves. The current ratio was 225.2%, compared to 260.6% as at 31 March 2006. The gearing ratio of the Group as at 30 September 2006, calculated by dividing long-term liabilities (including current portions) by total asset value, decreased to 5.0%, compared with 5.8%, as at 31 March 2006.

#### ASSETS PLEDGED

As at 30 September 2006, the Group had pledged its Taiwan properties and certain printing equipment in Hong Kong and Taiwan with an aggregate net book value of HK\$644.1 million to various banks as security for bank loans and general banking facilities granted to the Group.

To cater for the Group's future development, Apple Daily Limited, one of its subsidiaries, has arranged a four-year syndication for HK\$240.0 million on a club-deal basis. The deal involved the pledge of further properties and printing equipment with a net book value as at 30 September 2006 of HK\$362.2 million. It was closed and signed on 9 October 2006 with three major banks in Hong Kong, all of which participated on an equal-footing status.

#### EXCHANGE EXPOSURE AND CAPITAL EXPENDITURE

The Group's assets and liabilities are mainly denominated either in Hong Kong Dollars or New Taiwanese Dollars. The Group's exchange exposure to New Taiwanese Dollars is due to its existing magazines and newspapers publishing businesses in Taiwan.

The Group's strategy is to reduce its exchange rate exposure by arranging local currency bank loans. To this end, the Group arranged a four-year term loan for NT\$1.2 billion with local banks in Taiwan, and this loan was fully drawn down in April and June 2005. The Group's net currency exposure as at 30 September 2006 was NT\$4,690.6 million (the equivalent of about HK\$1,104.2 million). The Group will closely monitor its overall currency exposure and, when considered appropriate, it will further hedge against such exposure.

During the six months ended 30 September 2006, the Group's capital expenditure amounted to HK\$126.9 million, including HK\$107.5 million for its Taiwan operations. As at 30 September 2006, the capital expenditure committed for its operations amounted to HK\$8.2 million, including HK\$5.9 million for its Taiwan operations.

#### SHARE CAPITAL STRUCTURE

During the period under review, 185,600 ordinary shares with a par value of HK\$1.00 each were issued as a result of the exercise of certain share options at an exercise price of HK\$1.67 per share.

As at 30 September 2006, the total issued share capital of the Company was HK\$3,101,828,881 divided into 1,491,828,881 ordinary shares with a par value of HK\$1.00 each and 920,000,000 preference shares with a par value of HK\$1.75 each.

#### CONTINGENT LIABILITIES

As at 30 September 2006, the Group had contingent liabilities in respect of a number of litigation proceedings arising from its publishing business in Hong Kong and Taiwan. In addition, the Group had a dispute with UDL Contracting Limited – the contractor assigned to construct the printing facility of a subsidiary, Apple Daily Printing Limited – over amounts payable in respect to the construction of the printing facility in Tseung Kwan O. This dispute is currently under arbitration, and the final outcome is uncertain.

In connection with the acquisition of Database Gateway Limited in October 2001 (the "Acquisition"), Mr. Lai Chee Ying, Jimmy ("Mr. Lai") has undertaken to provide unlimited personal indemnities (the "Indemnity") to the Group against all payments, claims, suits, damages and settlement payments and associated costs and expenses in relation to certain legal proceedings (including the dispute with UDL Contracting Limited) involving the businesses acquired through the Acquisition. In relation to the Indemnity, Mr. Lai has procured a bank guarantee of HK\$60.0 million in favour of the Group in respect of his obligations under the Indemnity. Having taken the advice of the Group's legal counsel and the Indemnity given by Mr. Lai into consideration, the Directors believe that any ultimate liability under these proceedings will not have a material impact on the Group's financial position.

As at 30 September 2006, the Company had contingent liabilities in relation to corporate guarantees given by the Company to financial institutions for facilities utilised by certain of its subsidiaries amounting to HK\$77.3 million.

#### EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2006, the Group employed a total of 3,572 employees, of whom 1,929 employees were in Hong Kong, 1,636 employees were in Taiwan, and 7 employees were in Canada. There were no material changes to the policies relating to employee remuneration, bonuses, share options schemes and staff development disclosed in the 2005/06 annual report. Total staff costs for the six months ended 30 September 2006 amounted to HK\$528.4 million (for the six months ended 30 September 2005: HK\$500.7 million).

#### DIVIDEND

The Directors have declared an interim dividend of HK4.0 cents per ordinary share (2005/06: an interim dividend of HK5.0 cents and a special dividend of HK25.0 cents), amounting to HK\$96.5 million. It is payable to shareholders whose names appear on the Register of Members of the Company on 20 December 2006.

#### BOOK CLOSURE

The Register of Members of the Company will be closed from 18 to 20 December 2006, both days inclusive, during which period no transfer of ordinary shares will be effected. All transfers of ordinary shares accompanied by relevant ordinary share certificates must be lodged with the Company's share registrars, Computershare Hong Kong Investors Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 15 December 2006 in order to qualify for the interim dividend. Dividend warrants will be despatched on or around 28 December 2006.

#### AUDIT COMMITTEE

The Audit Committee was comprised entirely of three Independent Non-executive Directors of the Company and chaired by Mr. Yeh V-Nee. The role and terms of reference of the Audit Committee can be found in the Company's website with full details.

During the six months ended 30 September 2006, the Audit Committee held two meetings and all the members attended both meetings. The Audit Committee reviewed with the management the scope of services provided by existing external auditors regarding financial reporting, internal control and risk management systems, and the unaudited condensed consolidated financial statements for the six months ended 30 September 2006. Deloitte Touche Tohmatsu, the Group's external auditors also reviewed the unaudited condensed consolidated financial statements for the six months ended 30 September 2006 in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the HKICPA.

#### CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CODE")

During the six months ended 30 September 2006, the Company fully complied with the applicable provisions of the Code, except for the following deviations:

##### Code provision A.2.1

Under Code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

Mr. Lai assumes the role of Executive Chairman of the Group. The Company does not at present have any officer with the title "Chief Executive Officer". Mr. Lai is responsible for formulating the Group's strategic directions and policies and overseeing its development. Each Executive Director of the Company is delegated with individual responsibilities to monitor the operations of certain business units and to implement strategies and policies. The Board considers this present structure works effectively and does not impair the balance of power and authority.

##### Code provision E.1.2

Under Code provision E.1.2, the Chairman of the Board shall attend the Company's annual general meeting.

Mr. Lai was unable to attend the 2006 Annual General Meeting held on 19 July 2006 as he had another business engagement.

#### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). All Directors have confirmed, following specific enquiries by the Company, that they have fully complied with the required standard of the Model Code throughout the period under review.

#### PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the six months ended 30 September 2006.

#### PUBLICATION OF INTERIM RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The interim report for the six months ended 30 September 2006 containing all information required by Appendix 16 of the Listing Rules will be despatched to shareholders and published on the website of The Stock Exchange of Hong Kong Limited in due course.

By order of the Board  
**Ting Ka Yu, Stephen**  
*Director*

Hong Kong, 27 November 2006

*As at the date of this announcement, the Executive Directors of the Company are Mr. Lai Chee Ying, Jimmy, Mr. Ting Ka Yu, Stephen, Mr. Ip Yut Kin and Mr. Tung Chuen Cheuk and the Independent Non-executive Directors of the Company are Mr. Yeh V-Nee, Mr. Fok Kwong Hang, Terry and Dr. Kao Kuen, Charles.*

#### FORWARD LOOKING STATEMENTS

This announcement contains statements that are "forward-looking" or which use certain forward-looking terminology. These statements are based on the current beliefs, assumptions, expectations and projections of the Directors of the Company regarding the industry and markets in which the Group operates. These statements are subject to risks, uncertainties and other factors beyond the control of the Group.