

The management has a firm belief that the Group's promising development in the future lies in the launch of more branded publications. China's sports market is expected to undergo drastic changes with the upcoming of the 2008 Beijing Olympic Games. The Group partnered with an international top media group to launch "Sports Illustrated" with a focus placed on the development of the sports market driven by the Olympic Games. However, it takes time to build up the brand presence, it is therefore unlikely for "Sports Illustrated", which is still at its nurturing stage in the year, to generate operating profit, and as a result the Group's profit for the year will be hit. The other two magazines, namely "Better Homes and Gardens" and "PC Magazine" also face similar situation.

The management believes that the Group should also strengthen its investment in the Internet business to cope with the challenges from ever-changing technology nowadays.

In conclusion of the aforesaid, it is anticipated that Group's operating profit will drop in 2006 which, however, will lay a solid foundation for substantial development in the coming years. Looking forward to the future advertising market, the Group plans to build up a diversified brand portfolio at the earliest possible time to facilitate its long-term strategic development.

LIQUIDITY AND FINANCIAL RESOURCES

On 19 May 2006, the Company issued US\$10 million 2% convertible bond due 2011 and nil-paid warrant to Templeton Strategic Emerging Markets Fund II, LDC to raise fund to facilitate development and expansion of the Group. The proceeds was approximately HK\$78 million and was used primarily as general working capital of the Group.

In May 2006, 708,502 shares of Sun New Media Inc of total value at US\$2,692,308 (approximately HK\$21 million) were received for settlement of the loan receivable. The investment was recorded as available-for-sale investments. As at 30 June 2006, the Group had available-for-sales investments of value approximately HK\$32 million as compared to approximately HK\$10 million as at 31 December 2005.

On 30 June 2006, the Group had acquired the remaining 22% effective interest in the Caixun Group and the aggregate purchase consideration of RMB95,749,000 (approximately HK\$92,066,000) was settled in cash in Renminbi from internal resources.

The Group's daily operation activities were financed by internal resources. The Group's equity attributable to equity holders of the Company as at 30 June 2006 was approximately HK\$273.9 million as compared to approximately HK\$268.8 million as at 31 December 2005.

The Group had non-current debt of approximately HK\$67.7 million as at 30 June 2006 and had no non-current debt as at 31 December 2005. The gearing ratio, which was computed by non-current liability over equity attributable to equity holders of the Company was 24.7% as at 30 June 2006.