



With respect to property investment, the occupancy rate of Oriental News Building in Kowloon Bay is satisfactory and it is believed that this will continue to bring the Group steady rental revenue. The Group would consider its disposal should there be a potential buyer with a satisfactory offer. Meanwhile, the overseas hotel operation and shopping mall rental keep providing the Group with stable revenue.

BUSINESS OUTLOOK

The Group will endeavour to further strengthen the two newspapers' market share in order to ensure the stability of its business development. It is expected that the operating results of "The Sun" would improve should the retail price be restored to its original HK\$6 and the expenditure incurred for the promotion campaign be diminished. Additionally, the stabilization of newsprint price and a decrease in the cost of crude oil will help reduce the Group's operational costs. Together with this, the implementation of a policy to explore new sources of income and retrenchments, including departmental reengineering to decrease staff emoluments, are expected to improve the operating profit for the second half of the year.

To keep up with the fast-changing information market and high demands of our users, "orisun.com" will continue to explore new business models and launch up-to-date products. Following the set up of the video production division, the Group is proud to enter an era of video media. Trial runs of entertainment and lifestyle video news are being conducted and will be launched to the public when appropriate. With the backing of the strong editorial teams of the Group's two newspapers and the video production division, "orisun.com" will be revamped with a new look in the second half of the year, providing Chinese users around the world with comprehensive, real-time and multimedia content. It is on the way to becoming a global Chinese online community and opinion platform.

With the production of exclusive video news content, the Group is well positioned to expand into the markets of 3G mobile networks and IPTV in Greater China, South East Asia and overseas. The Group is identifying acquisition targets in the Mainland in order to strive for the largest market share. In the mean time, the Group is considering seeking out suitable strategic partners to ensure the long-term growth of its website business. The Group also does not rule out the possibility of spinning off the website operations to internationalize its business.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital at 30 September 2006 amounted to HK\$1,187,600,000 (31 March 2006: HK\$1,229,400,000), which includes time deposits, bank balances and cash amounting to HK\$905,400,000 (31 March 2006: HK\$996,800,000).

At 30 September 2006, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 3.3% (31 March 2006: 3.1%). The bank loan of HK\$76,100,000 is secured by a pledge of bank deposit of HK\$105,000,000.

During the period, the Group's capital expenditure was approximately HK\$14,200,000.