



sites of “orisun.com” are close to 600,000. Its effectiveness proves itself as the appropriate platform for advertisers placing their multimedia advertisements. The subscriptions to “Oriental Daily News© Paper” and “The Sun© Paper” are widespread among local communities. There are about 60 community centres, in which the two© papers are available for browsing. The subscriptions in the Mainland China and other overseas locations are also increasing steadily. Further, “orisun.com” started selling contents to major web-sites running in the Mainland China. The people over there are keen on Hong Kong’s current affairs, entertainment and soccer information. It is believed that there is ample development potential in the market of Mainland China for “orisun.com” to explore. Meanwhile, “orisun.com” takes advantage of the business opportunities derived from the mobile telecommunication markets and is negotiating with several local telecommunication companies for cooperation in providing information browsing services. Such service has been available in Singapore. Presently, “orisun.com” is looking for further business partners for developing similar services in other local markets in Asia in order to increase regular sources of income to the Group.

BUSINESS OUTLOOK

The “Free Travel” scheme introduced by the Mainland China does stimulate expansion of the retailing industry in Hong Kong. Advertisers take this opportunity to carry out marketing programs to promote their products. This is beneficial to “Oriental Daily News” and “The Sun” in taking more advertisement orders. It is expected that more people from the Mainland China will be coming to Hong Kong for leisure and shopping. Accordingly, the retailing industry will become more thriving and so will the advertising segment of the Group. Further, the subscriptions to “Oriental Daily News” and “The Sun” in the Mainland China are satisfactory, as evidenced by a steady increase in number of subscribers. With the increase in number and the widespread profile of readers, the Group is ideally positioned to capture more advertisement orders.

The Group will, on one hand, continue to concentrate its effort on consolidating the business of local newspaper publications and, on the other hand, keeps exploring other business opportunity. In recent years, there is great development in value-added features enhanced in the products of various wireless telecommunication equipment, such as wireless internet function available in most personal digital assistants and cellular phones, thus becoming multimedia products. As a result, a fifth media platform is being formed following those of newspapers, radio, televisions and computers. The Group has successfully extended the traditional newspaper business to the internet business. Knowing of the keen demand on information from all around the world, the Group is ready to expand to the wireless telecommunication industry, which is of substantial investment potential. With its sizeable reporting team and experienced editorial staff, the Group can easily extend its services to providing news and information to enable its clients to enjoy the unlimited freedom of communication. In future the Group will, based on its operating policy of “Maintaining high efficiency with lowest possible costs”, quicken its pace on strengthening the ties with big internet service providers and, when necessary, undertake activities of combining or acquiring relevant businesses in order to enhance the revenue of its internet segment.



On exploring other investment potential, the Group has acquired a hotel operation in Australia of approximately HK\$80,000,000 in September 2004. Since the economy of Australia is strong, the operating results of the hotel are better than expected. It is believed that this investment item will bring a steady source of income to the Group.

Shortly, the Group will move to its new headquarters in Tai Po, resulting in the saving of the rental expenditure for the printing factory in Yuen Long. The subsequent use of the current headquarters in Kowloon Bay has yet to be determined, dependent on market conditions. By consolidating all resources and with the recently acquired advanced equipments, overall operational efficiency will be enhanced. The Group has formed a new cohesive force and is prepared to stride forward another summit.

Taking advantage of the business opportunities emerging from the recovering of the Hong Kong's economy, the Group keeps exploring new sources of income by forming more alliance with advertisers. On implementing cost control, the Group has adopted a policy of "Exquisite Articles on Simplified Layout" in order to minimize the use of newsprint whilst no less news contents are presented. Further, the Group continues to undertake reengineering of all departments to ascertain that high quality of news contents will not be jeopardized by lowering costs and, thus, to achieve the principle of "Providing most information with least resources". Notwithstanding the Group keeps exploring new revenue streams and implementing retrenchment, there are still uncertain factors that cause the rise in running costs: firstly, the soaring oil price keeps boosting the costs of newsprint, the major production materials of the Group, up by 16% as compared to those of the same period last year; secondly, the oil price skirting at a relatively high level would affect the recovering pace of Hong Kong's economy and thus the Group's advertising revenue; and thirdly, following the use of the new headquarters in Tai Po, substantial amount of depreciation of the new properties, plant and equipment needs to be accounted for the second half of the year. These factors will impact on the Group's operating results for the full year. However, the Group will no doubt endeavor to strive for further advertisement orders to cover the adverse impact derived from the rise in running costs.

FINANCIAL RESOURCES AND LIQUIDITY

The working capital of the Group at 30 September 2004 decreased about 20.9% to HK\$1,002,947,000 (31.3.2004: HK\$1,268,087,000), primary on account of the relevant expenditure for the new headquarters in Tai Po of approximately HK\$161,000,000 and the bank deposit of approximately HK\$98,000,000 being re-classified as non-current assets. The Group's cash and cash equivalents amounted to HK\$789,662,000 at 30 September 2004 (31.3.2004: HK\$1,167,371,000).

At 30 September 2004, the gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 3.0% (31.3.2004: 0.9%).

During the period, the Group's capital expenditure amounted to approximately HK\$237,000,000.