



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.