東方報業集團有限公司
**ORIENTAL PRESS GROUP LTD**
*(Incorporated in Hong Kong with limited liability)*
(Stock Code: 18)

# Announcement of results for the year ended 31 March 2008

The Directors of Oriental Press Group Limited (the "Company") announce that the audited consolidated results of the Company and its subsidiaries (collectively known as the "Group") for the year ended 31 March 2008 are as follows:

**Consolidated Income Statement**
**For the year ended 31 March 2008**

| | Notes | **2008** **HK$'000** | 2007 HK$'000 |
|---|---|---|---|
| Revenue | 3 | **1,835,604** | 1,798,808 |
| Other income | 3 | **82,995** | 70,562 |
| Raw materials and consumables used | | **(620,224)** | (701,087) |
| Staff costs including directors' emoluments | | **(671,626)** | (712,705) |
| Depreciation | | **(79,442)** | (77,558) |
| Other operating expenses | | **(186,663)** | (243,061) |
| Net surplus on revaluation of property, plant and equipment | | **4,879** | 11,491 |
| Fair value adjustments on investment properties | | **9,509** | 744 |
| Net (loss)/gain on disposal of property, plant and equipment | | **(337)** | 527 |
| **Profit from operations** | 5 | **374,695** | 147,721 |
| Finance costs | 6 | **(7,024)** | (5,038) |
| **Profit before income tax** | | **367,671** | 142,683 |
| Income tax expense | 7 | **(55,927)** | (19,261) |
| **Profit for the year** | | **311,744** | 123,422 |
| **Attributable to :** | | | |
| Equity holders of the Company | | **311,586** | 123,068 |
| Minority interest | | **158** | 354 |
| **Profit for the year** | | **311,744** | 123,422 |
| **Dividends** | 8 | | |
| Proposed dividends | | **203,823** | 95,917 |
| Interim dividend paid | | **59,948** | - |
| | | **263,771** | 95,917 |
| **Earnings per share for profit attributable to equity holders of the Company during the year** | 9 | | |
| **- Basic** | | **HK13.0 cents** | HK5.1 cents |
| **- Diluted** | | **N/A** | N/A |

## Consolidated balance sheet
## As at 31 March 2008

| | Notes | 2008 HK$'000 | 2007 HK$'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **996,735** | 1,138,269 |
| Leasehold land | | **30,723** | 37,384 |
| Investment properties | | **69,472** | 145,673 |
| Available-for-sale financial asset | | **4,745** | 4,745 |
| Deferred tax assets | | **24,764** | 31,855 |
| | | **1,126,439** | 1,357,926 |
| **Current assets** | | | |
| Inventories | 10 | **108,545** | 110,820 |
| Trade receivables | 11 | **263,415** | 248,855 |
| Other debtors, deposits and prepayments | | **14,382** | 11,728 |
| Taxation recoverable | | **26,762** | 86,029 |
| Pledged bank deposit | | **116,437** | 107,277 |
| Cash and cash equivalents | | **1,350,772** | 1,096,502 |
| | | **1,880,313** | 1,661,211 |
| Non-current assets held for sale | 12 | **311,407** | - |
| | | **2,191,720** | 1,661,211 |
| **Current liabilities** | | | |
| Trade payables | 13 | **93,068** | 64,011 |
| Other creditors, accruals and deposits received | | **219,243** | 163,771 |
| Taxation payable | | **8,039** | 4,550 |
| Borrowings | 14 | **101,097** | 88,961 |
| | | **421,447** | 321,293 |
| Liabilities associated with non-current assets classified as held for sale | 12 | **16,064** | - |
| | | **437,511** | 321,293 |
| **Net current assets** | | **1,754,209** | 1,339,918 |
| **Total assets less current liabilities** | | **2,880,648** | 2,697,844 |
| **Non-current liabilities** | | | |
| Borrowings | 14 | **2,697** | - |
| Deferred tax liabilities | | **92,436** | 100,595 |
| | | **95,133** | 100,595 |
| **Net assets** | | **2,785,515** | 2,597,249 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **599,479** | 599,479 |
| Reserves | | **1,978,101** | 1,899,299 |
| Proposed dividends | 8 | **203,823** | 95,917 |
| | | **2,781,403** | 2,594,695 |
| **Minority interest** | | **4,112** | 2,554 |
| **Total equity** | | **2,785,515** | 2,597,249 |

## Consolidated statement of changes in equity
## For the year ended 31 March 2008

| | Equity attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 (Note) | Exchange reserve HK$'000 (Note) | Properties revaluation reserve HK$'000 (Note) | Retained profits HK$'000 (Note) | Proposed dividend HK$'000 | Total HK$'000 | Minority interest HK$'000 | Total equity HK$'000 |
| At 1 April 2006 | 599,479 | 814,485 | 2,981 | 67,296 | 968,748 | 59,948 | 2,512,937 | 1,934 | 2,514,871 |
| Surplus on revaluation | - | - | - | 10,972 | - | - | 10,972 | - | 10,972 |
| Transfer upon disposal of properties | - | - | - | (648) | 648 | - | - | - | - |
| Deferred tax liability arising on revaluation of buildings | - | - | - | (1,920) | - | - | (1,920) | - | (1,920) |
| Exchange realignment | - | - | 9,586 | - | - | - | 9,586 | 266 | 9,852 |
| Net income recognised directly in equity | - | - | 9,586 | 8,404 | 648 | - | 18,638 | 266 | 18,904 |
| Profit for the year | - | - | - | - | 123,068 | - | 123,068 | 354 | 123,422 |
| Total recognised income and expense for the year | - | - | 9,586 | 8,404 | 123,716 | - | 141,706 | 620 | 142,326 |
| 2006 final and special dividends paid | - | - | - | - | - | (59,948) | (59,948) | - | (59,948) |
| Proposed 2007 final dividend (Note 8) | - | - | - | - | (95,917) | 95,917 | - | - | - |
| At 31 March 2007 and 1 April 2007 | 599,479 | 814,485 | 12,567 | 75,700 | 996,547 | 95,917 | 2,594,695 | 2,554 | 2,597,249 |
| Surplus on revaluation | - | - | - | 19,624 | - | - | 19,624 | 1,478 | 21,102 |
| Deferred tax liability arising on revaluation of buildings | - | - | - | (4,703) | - | - | (4,703) | (400) | (5,103) |
| Exchange realignment | - | - | 16,066 | - | - | - | 16,066 | 322 | 16,388 |
| Net income recognised directly in equity | - | - | 16,066 | 14,921 | - | - | 30,987 | 1,400 | 32,387 |
| Profit for the year | - | - | - | - | 311,586 | - | 311,586 | 158 | 311,744 |
| Total recognised income and expense for the year | - | - | 16,066 | 14,921 | 311,586 | - | 342,573 | 1,558 | 344,131 |
| 2007 final dividend paid | - | - | - | - | - | (95,917) | (95,917) | - | (95,917) |
| 2008 interim dividend paid | - | - | - | - | (59,948) | - | (59,948) | - | (59,948) |
| Proposed 2008 final dividend (Note 8) | - | - | - | - | (203,823) | 203,823 | - | - | - |
| **At 31 March 2008** | **599,479** | **814,485** | **28,633** | **90,621** | **1,044,362** | **203,823** | **2,781,403** | **4,112** | **2,785,515** |

Note: These reserve accounts comprise the consolidated reserves of HK$1,978,101,000 (2007: HK$1,899,299,000) in the consolidated balance sheet of the Group.

**Notes to the financial statements**
**For the year ended 31 March 2008**

## 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. The financial statements included the applicable disclosure requirements of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs

### Adoption of new and amended HKFRSs effective on or after 1 April 2007

From 1 April 2007, the Group has adopted all the new and amended HKFRSs which are first effective on 1 April 2007 and relevant to the Group. The adoption of these HKFRSs did not result in significant alterations to the Group's accounting policies. As a result of the adoption of HKAS 1 (Amendment) "Capital Disclosures" and HKFRS 7 "Financial Instruments: Disclosures", there are additional disclosures provided as follows:

The amendment to HKAS 1 introduces additional disclosure requirements to provide information in each annual financial report about the level of capital and the Group's objectives, policies and procedures for managing capital.

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required under HKAS 32 "Financial Instruments: Disclosure and Presentation".

The amendment to HKFRS 7 does not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The first-time application of HKAS 1 (Amendment) and HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items. Accordingly, no adjustments on prior periods are required.

### New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements [1] |
| HKAS 23 (Revised) | Borrowing Costs [1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements [2] |
| HKFRS 2 (Amendment) | Share-based Payment: Vesting Conditions and Cancellations [1] |
| HKFRS 3 (Revised) | Business Combinations [2] |
| HKFRS 8 | Operating Segments [1] |
| HK(IFRIC) – Int 12 | Service Concession Arrangements [3] |
| HK(IFRIC) – Int 13 | Customer Loyalty Programmes [4] |
| HK(IFRIC) – Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interactions [3] |

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008

Among these new and amended HKFRSs, HKAS 1 (Revised) "Presentation of Financial Statements" is expected to be relevant to the Group's financial statement.

HKAS 1 (Revised) "Presentation of Financial Statements"

This amendment affects the presentation of owner's changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expenses and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

Except for the adoption of HKAS 1 (Revised) as mentioned above, the directors of the Company (the "Directors") anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

**Adoption of other accounting standards during the year**

HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"

During the year, the Directors resolved to dispose of certain leasehold land and investment properties of the Group situated in Hong Kong and Australia. The Group newly adopted the accounting policy on the relevant assets and liabilities directly associated with those assets in accordance with HKFRS 5.

## 3. REVENUE AND TURNOVER

Revenue from the Group's principal activities, which is also the Group's turnover, represents total invoiced value of goods supplied, lease income from operating leases and income from provision of services. Revenue recognised during the year is as follows:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Publication of newspapers | **1,772,245** | 1,757,474 |
| Rental income | **18,835** | 8,662 |
| Income from hotel operation | **16,855** | 22,043 |
| Income from canteen operation | **10,558** | 10,629 |
| Printing service income | **17,111** | - |
| | **1,835,604** | 1,798,808 |

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Included in other income are : | | |
| Interest earned on bank deposits | **57,987** | 50,923 |
| Sales of scrap materials | **12,641** | 10,902 |

## 4. SEGMENT INFORMATION

The Group is primarily engaged in the publication of newspapers. Over 90% of the Group's principal activities during the year are carried out in Hong Kong and over 90% of the Group's assets and customers are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

## 5. PROFIT FROM OPERATIONS

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Profit from operations is arrived at after charging / (crediting) : | | |
| Impairment of trade receivables | **632** | 833 |
| Depreciation : | | |
| - Owned assets | **78,592** | 77,558 |
| - Leased assets | **850** | - |
| Amortisation of leasehold land | **934** | 934 |
| Net exchange loss | **12,501** | 548 |
| Outgoings in respect of investment properties that generated rental income during the year | **3,984** | 2,679 |
| Operating lease charges in respect of land and buildings | **4,171** | 2,484 |
| Rental income from investment properties less outgoings | **(14,851)** | (5,983) |

## 6. FINANCE COSTS

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interest charges on borrowings wholly repayable within five years : | | |
| Bank loan | **6,443** | 4,788 |
| Other loan | **291** | 250 |
| Finance leases | **290** | - |
| | **7,024** | 5,038 |

## 7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2007: 17.5%) of the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax | | |
| - Hong Kong | | |
| Tax for the year | **46,035** | 19,868 |
| (Over)/Under-provision in respect of prior years | **(918)** | 2,018 |
| | **45,117** | 21,886 |
| Deferred tax | **10,810** | (2,625) |
| | **55,927** | 19,261 |

## 8. DIVIDENDS

### (a) Dividends attributable to the year

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend paid : HK2.5 cents per share (2007 : Nil) | **59,948** | - |
| Proposed final dividend: HK8.5 cents (2007 : HK4 cents) per share | **203,823** | 95,917 |
| | **263,771** | 95,917 |

A final dividend of HK8.5 cents (2007: HK4 cents) per share has been proposed by the Board of Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting. As such, the proposed dividend has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year ended 31 March 2008.

**(b) Dividends recognised as distributions during the year**

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 2007 final dividend of HK4 cents and 2008 interim dividend of HK2.5 cents per share (2007: 2006 final dividend of HK2 cents and special dividend of HK0.5 cent per share) | 155,865 | 59,948 |

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$311,586,000 (2007: HK$123,068,000) and on 2,397,917,898 (2007: 2,397,917,898) ordinary shares in issue during the year.

No diluted earnings per share have been presented as there were no dilutive potential ordinary shares in issue for both years.

## 10. INVENTORIES

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Newsprint and printing materials | **87,080** | 90,371 |
| Spare parts and supplies | **20,733** | 19,649 |
| Others | **732** | 800 |
| | **108,545** | 110,820 |

## 11. TRADE RECEIVABLES

The Group allows an average credit of 90 days to its trade customers and no interest is charged. All trade receivables are denominated in Hong Kong dollars which is the functional currency of the group entities to which these balance relate.

The following is an aged analysis of trade receivables after deducting the provision for impairment loss at the balance sheet date:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 60 days | **125,088** | 127,650 |
| 61 - 90 days | **55,009** | 48,288 |
| Over 90 days | **83,318** | 72,917 |
| | **263,415** | 248,855 |

## 12. NON-CURRENT ASSETS HELD FOR SALE

During the year, the Directors resolved to dispose of certain leasehold land and investment properties of the Group situated in Hong Kong and Australia which comprised the followings :

(a) Two investment properties situated in Australia, carried at carrying amounts of HK$57,421,000 and HK$116,259,000 respectively.

(b) A leasehold land and an investment property situated in Hong Kong, carried at carrying amounts of HK$5,727,000 and HK$132,000,000 respectively.

The major classes of assets and liabilities at 31 March 2008 which are classified as held for sale are as follows:

| | **2008** |
|---|---|
| | **HK$'000** |
| **Assets** | |
| Leasehold land | **5,727** |
| Investment properties | **305,680** |
| **Non-current assets classified as held for sale** | **311,407** |
| **Liabilities** | |
| Deferred tax liabilities | **16,064** |
| **Liabilities associated with assets classified as held for sale** | **16,064** |
| **Net assets classified as held for sale** | **295,343** |

## 13. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

| | **2008** | 2007 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 60 days | **84,814** | 46,672 |
| 61 - 90 days | **1,281** | 1,940 |
| Over 90 days | **6,973** | 15,399 |
| | **93,068** | 64,011 |

## 14. BORROWINGS

| | 2008<br>HK$'000 | 2007<br>HK$'000 |
|---|---|---|
| Borrowings wholly repayable within five years: | | |
| - Bank loan | **93,149** | 82,519 |
| - Other loan | **7,449** | 6,442 |
| - Obligations under finance leases | **3,196** | - |
| | **103,794** | 88,961 |
| Less: Current portion due within one year included under current liabilities | | |
| - Bank loan | **93,149** | 82,519 |
| - Other loan | **7,449** | 6,442 |
| - Obligations under finance leases | **499** | - |
| | **101,097** | 88,961 |
| Non-current portion included under non-current liabilities | | |
| - Bank loan | - | - |
| - Other loan | - | - |
| - Obligations under finance leases | **2,697** | - |
| | **2,697** | - |

At 31 March 2008, the bank loan denominated in Australian dollar was secured by a pledged bank deposit of the Group amounting to HK$116,437,000 (2007: HK$107,277,000) and bore interests at variable rate of Australian dollar's LIBOR plus 0.3% (2007: Australian dollar's LIBOR plus 0.3%).

At 31 March 2008, other loan denominated in Australian dollar, which was made by a minority shareholder of a subsidiary of the Company, was unsecured, interest bearing at 4% per annum and repayable on demand.

The carrying amounts of borrowings approximate their fair value.

The analysis of the obligations under finance leases is as follows :

| | Minimum lease payments | | Present value of Minimum lease payments | |
|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Obligation under finance leases: | | | | |
| Due within one year | **987** | - | **499** | - |
| Due in the second to fifth years | **3,455** | - | **2,697** | - |
| | **4,442** | - | **3,196** | - |
| Less: future finance charges on finance lease | **(1,246)** | - | | |
| Present value of lease obligations | **3,196** | - | | |
| Less: Amount due for settlement within one year included under current liabilities | | | **(499)** | - |
| Amount due for settlement in the second to the fifth years included under non-current liabilities | | | **2,697** | - |

The Group has entered into finance leases for certain plant, machinery and printing equipments. The leases run for a period of five years and do not have an option to renew the lease terms. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the lease assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets and are all denominated in Hong Kong dollars.

## RESULTS

For the year ended 31 March 2008, the audited consolidated profit attributable to shareholders of the Group amounted to HK$311,586,000.

## DIVIDENDS

The Directors recommend a final dividend of HK8.5 cents (2007: HK 4 cents) per share for the year ended 31 March 2008, payable to the shareholders whose names appear on the Register of Members on 20 August 2008. Together with the paid interim dividend of HK2.5 cents per share (2007: Nil), the dividend for the year amounts to HK11 cents (2007: HK4 cents) per share. The proposed final dividend will be payable on 25 August 2008.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 14 August 2008 to 20 August 2008, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend or to attend the Annual General Meeting of the Company to be held on 20 August 2008, all transfers accompanied with the relevant share certificates must be deposited at the Company's share registrar, Tricor Friendly Limited, whose address is 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on 13 August 2008.

## BUSINESS REVIEW

**"Oriental Daily News"** with the largest readership in Hong Kong, remains as the best-selling newspaper in Hong Kong for 32 consecutive years. In the past few years, "Oriental Daily News" has undergone numerous reforms, revitalized its layout design and enriched its contents to be in line with social trends aiming to be with the general public all the time. It's courage to expose social injustices, and detailed coverage and analysis justifying its reputation as "The Paper for Hong Kong", "Oriental Daily News" enjoys wide popularity among the general public.

**"The Sun"** successfully became the second best-selling newspaper on occasions during the promotion period when incentives were given to readers in October 2005. Its circulation on 13 May 2006 reached 500,171 copies, exceeding the amount of 345,000 printed copies (including wastage, complementary and unsold copies) as claimed by "Apple Daily News" on the same date by 150,000 copies. After the promotional activities, "The Sun" has undergone several revolutionary changes, particularly strengthening the contents of its entertainment and supplement sections to attract the young new generation. The changes of "The Sun" is well received by the general public. With support from its advertisers, it is positioned comfortably as the third best-selling newspaper in Hong Kong. The upward revision of its retail price to HK$6 on 17 November 2007 has boosted the Group's overall income.

**"on.cc"**, the flagship online portal of Oriental Press Group, is to hold transcendent views while keep enhancing its content. Envisioned the household bandwidth is on the rising track, so as the netizens' demand in multimedia content, "on.cc" launched Hong Kong first online TV "ontv" in March 2008, providing round the clock update news, finance, commentary, entertainment and lifestyle programs for free. "ontv" brings to the office workers and young netizens across the world on-the-spot news, and invigorates the TV media market.

**"ontv"** commentaries programs invite well-known persons to analyze hottest issues in town and to make viewers feel being part of the program. It has become a political forum platform for Chinese worldwide. "ontv" finance programs produce live broadcast every stock market trading day when professional analysts would conduct market strategy discussions and analysis. Viewers are not only able to watch market analysis and seek advice from the professionals direct through the internet, but also check on the stock prices and other detail information. Since launch, it has been well received by viewers, and has become one of the main sources of information for netizens in general and office workers in particular, and thus pushed "on.cc" unique visitor to over 2 million a month.

During the year, advertising revenue of "on.cc" continues to surge, and the Group has successfully expanded into the TV advertising market. Leveraging on its high resolution graphics and call-for-action interactive interface, "ontv" attracted brands that seldom use internet as promotion media to break their traditions. They now launch TV commercials at "ontv", making it Hong Kong's only online media operate under the TV advertising model. By possessing the linear broadcasting nature of TV and the ability to conduct audiences' interaction, "ontv" successfully draws attention of brand enterprises and are well-received by advertisers from the FMCG and service sectors.

On the property investment front, the Group disposed of the property in Kowloon Bay known as Oriental News Building on 30 April 2008 at a consideration of HK$515,600,000 by way of selling the property-owning company. The gain expected to accrue to the Group from the disposal would be approximately HK$393,000,000 for the financial year ending 31 March 2009.

As for overseas investments, the Group entered into an agreement with an independent third party on 25 September 2007 to sell a shopping mall in Australia at a consideration of AUD8,100,000. The group will generate a gain of approximately AUD300,000 (after netting off the cost of acquisition and related expenses) when the completion of transaction is anticipated on 25 July 2008. Besides, the Group also entered into a put and call option agreement with another independent third party on 10 October 2007 whereby, upon the exercise of the option, the Group's hotel property in Australia would be assigned to the purchaser at a consideration of AUD18,200,000 on or before 15 December 2008. The Group has already exercised the option in May 2008 and completion is expected on 4 September 2008, whereupon a gain of approximately AUD3,600,000 will be realised after netting off the cost of acquisition and related expenses. Concurrently, the Group and an affiliated company of the said purchaser also entered into a licence agreement, pursuant to which the Group shall grant such affiliated company a licence for a term of 18 months to use the Group's hotel property for the purpose of running a hotel business. The Group will receive an annual income of AUD800,000 in return. This agreement will be terminated on completion of the disposal of the Group's hotel property.

On the other hand, the Group acquired two commercial buildings for investment purpose, one at a consideration of AUD11,800,000 during the year and the other at AUD12,600,000 in May 2008.

## BUSINESS OUTLOOK

Looking towards the future, we believe with "Oriental Daily News" and "The Sun" making up an aggregate share of about 60% of the circulation and readership of Chinese newspaper in Hong Kong, they will continue to achieve satisfactory result from the advertising market, and strengthen the Group's profitability.

Apart from conventional newspaper, the Group targets to diversify its business to TV, internet and mobile media sectors, striving to become a total solution provider for the advertisers. Due to its global nature, these new media operations will not be restricted by geographical boundary and the rising newsprint and print ink costs. "ontv" will strengthen its infrastructure development and users relationship management system, so as to gain instant information on market trends and audiences' favorite contents, which will enable us to formulate new goals.

Following the development of online TV, the reach of our contents has been vastly extended. Apart from using text and photos, news and commentaries can now be broadcasted in form of TV through outdoor media and wireless internet. Websites of "on.cc" and "ontv" deliver real-time information to global netizens, exerting far-reaching influences.

"on.cc" is actively expanding into the wireless internet and outdoor media business, which will enable our audiences' instant access to the Group's contents anywhere at home, outdoor or overseas. The Group believes the synergetic effects created by conventional and new media will enable us to capture every potential business opportunities and maximize our shareholders' return in the new economic era. The Group will introduce strategic partner into "on.cc" or explore other forms of market capitalization in due course, with an aim to accelerate the business expansion of "on.cc" into the PRC and overseas markets.

In conclusion, although the Group's operating results will continue to be affected by the high prices of crude oil and newsprint, the Group still has great confidence in its newspaper and website operations, and remains conservatively optimistic of the future.

**FINANCIAL RESOURCES AND LIQUIDITY**

The Group always maintains a strong liquidity. The working capital at 31 March 2008 amounted to HK$1,754,209,000 (2007: HK$1,339,918,000), which includes time deposits, bank balances and cash amounting to HK$1,350,772,000 (2007: HK$1,096,502,000).

At 31 March 2008, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 3.7% (2007: 3.4%). The bank loan of HK$93,149,000 is secured by a pledge of bank deposit of HK$116,437,000.

During the year, the Group's capital expenditure was approximately HK$113,892,000.

**CONTINGENT LIABILITY**

At 31 March 2008, the Group has no material contingent liability.

**EMPLOYEES AND REMUNERATION POLICIES**

At 31 March 2008, the Group employed 2,325 employees. Remuneration for employees including medical benefits is determined based on industry practice, the performance and working experience of the employees, and the current market conditions. The Group has implemented a training scheme to groom a new generation of journalists.

**EXPOSURE TO FOREIGN EXCHANGE**

Since the revenue of the Group is mainly denominated in Hong Kong dollars and the production cost is denominated in United States and Hong Kong Dollars, the Group is therefore not exposed to any foreign currency exchange risk provided Hong Kong's pegged exchange rate system remains unchanged.

**CORPORATE GOVERNANCE**

The Company has complied, throughout the financial year, with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except that independent non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation in accordance with the article of the Company's Articles of Association.

**AUDIT COMMITTEE**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2008 with the management. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2008 have been agreed by the Group's auditors, Grant Thornton, to the amounts set out in the Group's consolidated financial statements for the year.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed that they have achieved full compliance with the required standards as laid down in the Model Code for the year ended 31 March 2008.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PUBLICATION OF ANNUAL REPORT

The annual report for the year ended 31 March 2008 will be dispatched to the shareholders and published on both of the websites of the Stock Exchange and the Company in due course.

## ANNUAL GENERAL MEETING

The 2008 Annual General Meeting of the Company will be held on Wednesday, 20 August 2008 and the Notice of Annual General Meeting will be published and despatched in the manner as required by the Listing Rules in due course.

On behalf of the Board
**Ching-fat MA**
Chairman

Hong Kong, 4 July 2008

As at the date hereof, the Board comprises seven directors, of which three are executive directors, namely Mr. Ching-fat MA (Chairman), Mr. Ching-choi MA (Vice-Chairman) and Mr. Shun-chuen LAM (Chief Executive Officer), one non-executive director, namely Mr. Dominic LAI and three independent non-executive directors, namely Mr. Yau-nam CHAM, Mr. Ping-wing PAO and Mr. Yat-fai LAM.