

Overseas newspaper operations

Although the U.K. market registered modest growth in advertising income, the overall turnover from overseas newspaper operations decreased by 4% as compared to the prior corresponding period. The climbing unemployment rate, weakening consumer confidence together with sluggish retail sales put pressure on the U.S. markets, the Group's principal overseas markets.

Commercial printing operations

The commercial printing operations posted 8% growth in operating profit to HK\$41.7 million despite a 7% decline in turnover to HK\$247.5 million during the Period. Although Roman Financial Press and Noble World were affected by the slow down in capital market activities in Hong Kong, South China Printing's sales were impervious to the economic slow down in the U.S. and the U.K. The ability to secure new customers together with lower paper costs enabled South China Printing to achieve higher operating profit during the Period.

Profits shared from jointly controlled entities and associates

Share of profits from jointly controlled entities and associates decreased by 53% to HK\$4.1 million for the Period owing to the declines in profits of Canadian editions of the Sing Tao Daily and the Colony Hotel in Toronto. The reduced contribution from the Canadian operations was attributable to non-recurrent costs associated with the industrial action, the disputes of which had already been properly settled.

Prospects

It is expected that the effects of the "9-11" event on the global economy will become more apparent in the coming year. Recovery of the local advertising market is not likely in the immediate future, hence posing further challenge on the operating environment of the media industry. Nonetheless, the Board is taking active steps towards improving results by restructuring business, repositioning products as well as enhancing systems through technological improvement.

While the Group will strive to maintain its market share and increase its operating margin in the coming year in its current markets, the Group will be actively exploring new opportunities outside Hong Kong. In particular, China's accession to the World Trade Organization offers significant business opportunities as the media market would be opened up gradually. The Group believes that the Sing Tao Daily and Hong Kong iMail are in an excellent position to expand its reach and advertiser base in China and is actively pursuing several new initiatives in China, laying the foundation for its future development. The Group believes that the development of its China businesses will bring in long term, sustainable value to the Group and its shareholders.

The full implementation of the restructuring measures, the successful penetration into the PRC market together with lower newsprint costs should not only enable the Group to achieve a turnaround in the foreseeable future but should also facilitate the Group to attain its longer term strategic objective of becoming a premier information services aggregator and provider serving Chinese communities globally.

LIQUIDITY AND FINANCING

The Group laid down prudent guidelines for its treasury and liquidity management while at the same time maintained adequate flexibility to capture new business opportunities. The guidelines cover the Group's debt profile, financing horizon and currency and interest rate risks.

The Group's bank borrowings were denominated in Hong Kong dollars for the Period. The annual interest rate of the borrowings as at 30th September, 2001 was about 5.94%.

The Group's gearing ratio as at 30th September, 2001 was 0.014 (2000: no bank borrowings), based on bank borrowings of HK\$11.0 million and shareholders' funds of HK\$786.1 million. The Group's financial position remained solid as evidenced by other healthy financial indicators.

There were decreases in net cash and bank balances from approximately HK\$183.0 million as at 31st March, 2001 to approximately HK\$155.8 million as at 30th September, 2001 which included the time deposits of the Group pledged in favour of banks as at the respective dates. A bank loan with an outstanding balance of HK\$11.0 million as at 30th September, 2001 was secured by a Group's printing machine with a carrying value of approximately HK\$6.7 million. The Group had no bank borrowings as at 31st March, 2001.

The Group had limited exposure to movements in exchange rates. The majority of purchases were denominated in Hong Kong dollars and US dollars. Export sales were principally denominated in US dollars, Australian dollars and Sterling with sale receipts denominated in non-US dollar foreign currencies being hedged by forward foreign exchange contracts. The Group also had certain exchange rate movement exposure in connection with the translation of net assets of overseas subsidiaries outside the U.S.