

Chairman's Statement

RESULTS

For the year ended 31 March 2001, the profit of the Group, prior to accounting for the loss on disposal of used printing equipment of HK\$68,253,000 and the deficit on revaluation of the plant in Taipo of HK\$32,076,000, was HK\$369,327,000. After deduction of the aforementioned losses, the audited consolidated profit attributable to shareholders of the Group amounted to HK\$268,998,000, a significant increase of 528% over the profit of HK\$42,817,000 recorded in the last financial year. The increase in the Group's profit was primarily attributable to the increase in revenue from circulation, the reduction in production costs and the profit of HK\$89,530,000 on disposal of interest in a subsidiary.

DIVIDEND

The Board of Directors (the "Board") of the Company recommended the payment of a final dividend for the year ended 31 March 2001 of HK\$0.06 (2000 - nil) per share to shareholders whose names appear on the register of members on 7 August 2001. Together with the interim dividend of HK\$0.05 (2000 - nil) per share paid, the total dividends for the year will be HK\$0.11 (2000 - nil). The proposed final dividend will be paid on 20 August 2001.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 31 July 2001 to 7 August 2001, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend, all transfers accompanied by relevant certificates must be deposited at the Company's share registrars, Friendly Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 pm on 30 July 2001.

FINANCIAL SUMMARY

- As at 31 March 2001, the Group was at a sound financial position, with an aggregate of time deposits, bank balances and cash of approximately HK\$951,000,000 which were sufficient to cope with future operation and expansion needs.
- As at 31 March 2001, the Group's borrowings were approximately HK\$94,000,000.
- As at 31 March 2001, the ratio of the Group's borrowings (including bank loans, overdrafts and obligations under hire purchase contracts) to the shareholders' equity is about 0.04.
- As the Group's purchase of newsprint is settled in US dollar, fluctuation in exchange rate will not have a material effect on the Group's financial position.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2001, the Group employed about 3,100 employees. The remuneration of employees were made based on industry practice, including medical benefits and the Group reviews the remuneration policies on a regular basis. In order to strengthen its operations, the Group has implemented a training scheme, so as to groom a new generation of journalists.

BUSINESS REVIEW

With the largest number of readers as well as the widest readership coverage, "Oriental Daily News" sustains its leadership as the best selling Chinese newspaper in Hong Kong for the twenty-fifth consecutive year. During the year, its highest daily actual circulation exceeded 546,000 copies. "Oriental Daily News" has always been regarded as the newspaper with the richest news contents. During the year, it has actively enhanced the quality of its layout design and enriched its contents so that the property, finance, entertainment, features, racing journal and sports pages are able to cater for the taste of the readers as a truly "Hongkongers' newspaper". Despite the raise in its retail price to HK\$6 in October 2000, its circulation remained steady with significant increases in revenue therefrom.

For the second year after its inauguration, "The Sun" has maintained its position as the third best selling Chinese newspaper in terms of circulation. Its target is to become the second best in a short period of time. During the year, its highest daily actual circulation exceeded 308,000 copies. Having undergone several reforms, the quality of "The Sun" has been greatly enhanced with outstanding standards in contents and selections of news as well as refreshing outlooks in layouts. In order to promote its image and cast a lively image with the people, "The Sun" has also cooperated with other parties in holding or sponsoring dozens of activities that helped in its recognition and acceptance by the public. During the year, "The Sun" has achieved satisfactory growth in advertising revenue. Following the raise in its retail price to HK\$5 in October 2000, circulation revenue has also shown significant increases. "The Sun" has become more matured and readily accepted by readers through the experiences it has accumulated. The cheapest advertising tariff and the best value for money in advertising effects in Hong Kong made "The Sun" a more attractive proposition for advertising agencies.

"Eastweek", "Oriental Sunday" and "East Touch" remain to be the major publications of the Hong Kong magazine market and notable examples of publications in current affairs and entertainment news, feminine recreations and trendy activities for youth, respectively. Although the current magazine market is highly competitive, the three magazines still carry praises and have secured steady advertising and circulation revenue for the Group.

Into its tenth year since its inauguration in 1991, "The Sun Racing Journal" is highly regarded by the horse racing circle and its massive readership, and maintains notable status in the market of professional horse racing journals. Its circulation has been stable amongst the top three of similar horse racing publications and has recorded a steady increase over the past two seasons. It is believed that the database of horse racing information being stored by "The Sun Racing Journal" is the most comprehensive one amongst similar types of publications. The raise in its retail price to HK\$6 in October 2000 led to increases in the Group's circulation revenue.

"orisun.com" is the Group's portal which was set up for the purpose of adding a new dimension to the traditional publishing business of the Group. Since its launch in February 2000, "orisun.com" has established its objectives of generating revenue by providing content-rich information and other value-added services and by streamlining its operations to increase efficiency at the lowest possible cost. In the past year, a significant portion of the revenue generated was derived just from advertising and content provision alone. At present, the total daily page views of "orisun.com" and its websites are in excess of 5 million, with overseas viewers accounting for more than half of the total. The Group's websites, "orientaldaily.com.hk", "the-sun.com.hk", "eastweek.com.hk", "orientalsunday.com.hk" and "easttouch.com.hk", are the most popular. The news centre (which includes real time local and international news, financial and entertainment news) and the virtual horse racing site are also the top favorites, with the highest number of log-ons at the virtual horse racing site reaching close to 8,800 on a racing day.

The economic growth of Hong Kong has gradually slowed down in the second half of the year with weak overall consumption spending. During the past year, there were fierce competition in the magazine market and launchings of different types of new magazines which provided advertisers with additional alternative advertising channels and choices. It led to an inevitable dilution of market shares in the advertising market. The effect on the Group was relatively low as the Group's publications have a sizable readership and are well supported by advertisers. The Group's advertising business remained stable throughout the year.

During the year, the Group's satisfactory results were attributed to successful control in costs and increase in revenue. On one hand, the cost of newsprint has steadied after months of escalations that helped to reduce costs and the Group has also successfully controlled other operating costs. On the other hand, the raise in retail prices of the Group's newspapers in October 2000 has led to increases in circulation revenue. The Group's disposal of a 50% equity interest in a subsidiary, Eastweek.com.hk Limited, was profitable. Accordingly, the current year's results were able to present a satisfactory growth.

BUSINESS PROSPECTS

Working in close collaboration with Dow Jones (USA), "orisun.com" has launched the Dow Jones Oriental B2B website, which provides up to the minute financial and stockmarket information. Currently, "orisun.com" also provides contents to Orange WAP communications and Yahoo!. Following the role model of our virtual horse racing simulation application, "orisun.com" will continue to develop other virtual games and decision support tools by utilizing our large archives. We are currently in the closing stages of devising a fee structure of the virtual horse racing portal that we plan to implement after the commencement of the 2001/2002 horse racing season. "orisun.com" is also currently evaluating various on-line payment facilities that will enable us to collect fees for our various services directly on-line, as well as providing subscription facilities for the electronic/on-line editions of the Group's publications, all of which will contribute greatly to increasing the Group's revenue.

Although the slowdown of the US economy has affected the recovery of Hong Kong economy to a certain extent, the five reductions in interest rates, following the US, totalling two and a half percent by the banks in Hong Kong since the beginning of 2001 are beneficial to the economic development of Hong Kong. Coupled with China becoming a member of the WTO soon, all these should have a positive impact on the Hong Kong economy thereby giving a helping hand to the Group's business development.

On behalf of the Board
Shun-choi LAM
Chairman

Hong Kong, 18 June 2001