

OPERATION REVIEW

Publishing and Printing

With the recent acquisition of Eastweek and Oriental Sunday, the publishing business had become an important sector of the Group's business.

A. New Media Group

The Group acquired Eastweek and Oriental Sunday, two well-known local infotainment magazines at a consideration of HK\$65 million in September 2001. Following the acquisition, the New Media Group was formally set up, offering readers a comprehensive portfolio of infotainment weekly comprising the newly acquired Eastweek and Oriental Sunday, New Monday, Weekend Weekly as well as managing the editorial and advertising operations of Cable Guide Weekly for Cable TV. The management believed that the goodwill and database of Eastweek and Oriental Sunday would enhance the foothold of the Group in the media industry and create a synergy effect on the Group's other publishing businesses.

During the Period, Weekend Weekly, a leisure weekly, emerged as a leader in its category, while New Monday secured a premier position as a healthy weekly for young readers. The Group managed to consolidate the readership base of Eastweek and Oriental Sunday following the acquisition. Although the circulation of the magazines was steadily on the rise, the magazines were still in the investment stage. The management intended to implement tight cost control measures to improve the profit margin.

B. Hong Kong Daily News

During the Period, competition among local newspapers had intensified, while advertisers had cut down their annual advertising budget. During the Period, Hong Kong Daily News underwent an editorial reform to cater for the changing demands of readers and advertisers.

C. Economic Digest

Economic Digest is a representative and long-established local financial weekly with 20 years' history. During the Period, the operation had also diversified into the publication of book series and a money management weekly, "My Money". The publication of books recorded a slight profit and the management expected positive growth and revenue from this sector. However, the recent financial market turmoil as well as the September 11 incident in the United States had placed "My Money" into a very tough operating environment and its publication was discontinued with effect from September, 2001.

D. Hong Kong Daily Offset Printing

Hong Kong Daily Offset Printing is the printing arm of the Group. During the Period under review, it managed to record a slight profit despite the keen competition.

Apparel Trading and Retailing

The apparel trading and retailing arm of the Group is currently the exclusive distributor of the menswear of three French labels, “Balenciaga”, “Smalto” and “Courreges” in the People’s Republic of China (the “PRC”).

The Group’s menswear under the “Balenciaga” label, already a well-known label in the PRC, continued to bring positive contribution to the Group. Turnover was expected to increase in the second half of the financial year with the upcoming Christmas and Chinese New Year vacation. Slight loss, however, was recorded for “Smalto” and “Courreges” labels during the Period as both labels were still in the investment stage. The Group was in the course of reviewing its investment in the “Courreges” label and might consider consolidating its business in view of the recent downturn in market condition.

Fishery and Marine Products

The fishery products retail business in Hong Kong made positive contribution to the operating results of the Group during the Period under review. However, operating loss was recorded for this business sector as the seasonal glass eel trading business in mainland China was off season during the Period under review. Redundancy payment made as a result of the cost cutting exercise of the glass eel operation had led to a slight increase in operating loss. The management expected the result for the second half of the financial year to improve when the glass eel business became in season.