

# ORIENTAL PRESS GROUP LIMITED

## ANNOUNCEMENT OF INTERIM RESULTS 2001/2002

The directors of Oriental Press Group Limited (the "Company") announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2001, together with the comparative figures for the corresponding period in the previous year were as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

#### FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

	NOTES	Six months ended	
		<u>30.9.2001</u> (Unaudited) HK\$'000	<u>30.9.2000</u> (Unaudited) (Restated) HK\$'000
Turnover	3	1,181,533	1,231,769
Other revenue		29,041	29,865
Raw materials and consumables used		(430,823)	(398,869)
Staff costs		(421,696)	(420,290)
Depreciation		(64,482)	(72,543)
Other operating expenses		(181,043)	(198,985)
Gain on disposal of publishing rights		42,487	-
Loss on disposal of plant and equipment		-	(68,578)
Profit from operations		<u>155,017</u>	<u>102,369</u>
Gain on disposal of an associate		13,549	-
Gain on disposal of interest in a subsidiary		-	89,530
Finance costs		(2,334)	(7,335)
Profit before taxation		<u>166,232</u>	<u>184,564</u>
Taxation	4	(16,099)	(13,759)
Profit for the period		<u>150,133</u>	<u>170,805</u>
Dividend	5	<u>143,875</u>	<u>-</u>
Earnings per share	6	<u>6.26 cents</u>	<u>7.12 cents</u>

There were no recognised gains or losses other than the profit for the period. Details of the restatement of retained profits as at 1 April 2001 arising from change in accounting policy on proposed dividend are set out in note 2.

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2001

	NOTES	30.9.2001 (Unaudited) HK\$'000	31.3.2001 (Audited) (Restated) HK\$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	7	1,284,026	1,302,185
Interest in an associate		-	1,437
		<u>1,284,026</u>	<u>1,303,622</u>
<b>Current Assets</b>			
Inventories		138,767	226,768
Trade receivables	8	289,524	315,808
Other debtors, deposits and prepayments		27,574	17,646
Taxation recoverable		2,676	2,726
Time deposits, bank balances and cash		1,014,369	951,053
		<u>1,472,910</u>	<u>1,514,001</u>
<b>Current Liabilities</b>			
Trade payables	9	76,267	116,312
Other creditors, accruals and deposits received		150,708	180,208
Taxation payable		640	181
Obligations under hire purchase contracts - due within one year		-	450
Bank borrowings – due within one year		22,404	22,404
		<u>250,019</u>	<u>319,555</u>
<b>Net Current Assets</b>		<u>1,222,891</u>	<u>1,194,446</u>
		<u>2,506,917</u>	<u>2,498,068</u>
<b>Capital and Reserves</b>			
Share capital	10	599,479	599,479
Reserves	11	1,762,317	1,756,059
		<u>2,361,796</u>	<u>2,355,538</u>
<b>Non-Current Liabilities</b>			
Obligations under hire purchase contracts – due after one year		-	1,796
Bank borrowings – due after one year		57,857	69,059
Deferred taxation		87,264	71,675
		<u>145,121</u>	<u>142,530</u>
		<u>2,506,917</u>	<u>2,498,068</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
 FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2001

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	Six months ended	
	<u>30.9.2001</u> (Unaudited) HK\$'000	<u>30.9.2000</u> (Unaudited) HK\$'000
Net cash inflow from operating activities	185,672	331,319
Net cash (outflow) inflow from returns on investments and servicing of finance	(127,408)	11,306
Tax refund	-	17,709
Net cash inflow from investing activities	18,500	85,391
Net cash inflow before financing	<u>76,764</u>	<u>445,725</u>
Net cash outflow from financing	(13,448)	(76,836)
Increase in cash and cash equivalents	<u>63,316</u>	<u>368,889</u>
Cash and cash equivalents at beginning of the period	951,053	497,425
Cash and cash equivalents at end of the period, representing time deposits, bank balances and cash	<u>1,014,369</u>	<u>866,314</u>

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention as modified for the revaluation of land and buildings.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2001, except that in the current period, the Group has adopted, for the first time, a number of new/revised SSAPs issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following changes in accounting policies.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP No. 9 (Revised) "Events after the balance sheet date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment of increasing the retained profits at 31 March 2001 by HK\$143,875,000.

Leases

In accordance with SSAP No. 14 (Revised) "Leases", the basis of recognition of finance income from finance leases has been changed from the net cash investment method to the net investment method. Finance lease income is therefore allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of its finance leases. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Provisions

In accordance with SSAP No. 28 "Provisions, contingent liabilities and contingent assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

### 3. SEGMENT INFORMATION

#### Business Segment

	Turnover		Contribution to profit from operations	
	Six months ended		Six months ended	
	<u>30.9.2001</u>	<u>30.9.2000</u>	<u>30.9.2001</u>	<u>30.9.2000</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Publication of newspapers and magazines	1,179,844	1,231,210	153,328	103,531
Property investment and building management	1,689	559	1,689	(1,162)
	<u>1,181,533</u>	<u>1,231,769</u>	<u>155,017</u>	<u>102,369</u>
	=====	=====	=====	=====

Geographical segment of turnover has not been presented as all of the activities of the Group during the period were based in Hong Kong and all of the turnover and contribution to profit from operations were derived from Hong Kong.

### 4. TAXATION

The amount represents Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the period of the Company and its subsidiaries.

### 5. DIVIDEND

On 20 August 2001, dividend of HK6 cents per share was paid to the shareholders as the final dividend for the year ended 31 March 2001.

The directors have determined that an interim dividend of HK3 cents (2000: HK5 cents) per share, amounting to HK\$71,937,537, be paid to the shareholders of the Company whose names appear on the Register of Members on 11 January 2002.

### 6. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the Group's profit for the period of HK\$150,133,000 (2000: HK\$170,805,000) and on the 2,397,917,898 (2000: 2,397,917,898 ) shares in issue during the period.

### 7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired a leasehold property at a cost of approximately HK\$35,000,000 and plant and equipment of approximately HK\$11,000,000.

8. TRADE RECEIVABLES

The Group allows an average credit period of 90 days to its trade customers.

The following is an aging analysis of trade receivables at the reporting date:

	<u>30.9.2001</u> HK\$'000	<u>31.3.2001</u> HK\$'000
0 - 60 days	173,794	190,829
61 - 90 days	62,348	64,265
> 90 days	53,382	60,714
	<u>289,524</u> =====	<u>315,808</u> =====

9. TRADE PAYABLES

The following is an aging analysis of trade payables at the reporting date:

	<u>30.9.2001</u> HK\$'000	<u>31.3.2001</u> HK\$'000
0 - 60 days	45,865	85,171
61 - 90 days	11,791	9,210
> 90 days	18,611	21,931
	<u>76,267</u> =====	<u>116,312</u> =====

10. SHARE CAPITAL

	<u>30.9.2001</u> HK\$'000	<u>31.3.2001</u> HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At beginning and end of the period/year	1,250,000	1,250,000
	<u>=====</u>	<u>=====</u>
Issued and fully paid:		
At beginning of the period/year	599,479	499,566
Bonus issue of shares	-	99,913
	<u>599,479</u>	<u>599,479</u>
At end of the period/year	<u>=====</u>	<u>=====</u>

## 11. RESERVES

	Share premium HK\$'000	Exchange reserve HK\$'000	Revaluation reserve			Retained profits HK\$'000	Total HK\$'000
			Investment properties HK\$'000	Other properties HK\$'000	Plant and equipment HK\$'000		
<u>THE GROUP</u>							
At 1 April 2000	914,398	(820)	43,772	473,974	59,014	586,402	2,076,740
Exchange adjustments	-	2,782	-	-	-	-	2,782
Bonus issue of shares	(99,913)	-	-	-	-	-	(99,913)
Released upon disposal of printing equipment	-	-	-	-	(59,014)	59,014	-
Realised on dissolution of a subsidiary	-	(108)	-	-	-	-	(108)
Deficit on revaluation	-	-	(43,772)	(328,772)	-	-	(372,544)
Profit for the year	-	-	-	-	-	268,998	268,998
Dividend	-	-	-	-	-	(263,771)	(263,771)
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At 31 March 2001							
- as originally stated	814,485	1,854	-	145,202	-	650,643	1,612,184
- derecognition of liability in respect of final dividend for the year ended 31 March 2001 (note 2)	-	-	-	-	-	143,875	143,875
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- as restated	814,485	1,854	-	145,202	-	794,518	1,756,059
Profit for the period	-	-	-	-	-	150,133	150,133
Dividend	-	-	-	-	-	(143,875)	(143,875)
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At 30 September 2001	814,485	1,854	-	145,202	-	800,776	1,762,317
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## 12. CONTINGENT LIABILITIES

At 30 September 2001, 703 (31.3.2001: 674) employees have completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. If the termination of all these employees met the circumstances required by the Ordinance, the Group's liability at 30 September 2001 would be approximately HK\$89,600,000 (31.3.2001: HK\$83,800,000), of which HK\$8,200,000 (31.3.2001: HK\$8,200,000) has been provided for in the financial statements.

13. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<u>30.9.2001</u> HK\$'000	<u>31.3.2001</u> HK\$'000
Within one year	7,320	3,455
In the second to fifth year inclusive	12,760	-
	<u>20,080</u>	<u>3,455</u>
	=====	=====

14. RELATED PARTY TRANSACTIONS

During the period, the Group paid legal fees amounting to HK\$2,300,000 (2000: HK\$4,000,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, an independent non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li. The transaction prices were considered by the directors at estimated market value.

15. OUTSTANDING LITIGATIONS

At 30 September 2001, there were 15 (31.3.2001: 25) outstanding unresolved litigations that were brought against the Group. All these cases were related to defamation. The Group intends to strongly contest the claims referred to in the above and while the final outcome of the proceedings is uncertain, the directors are of the opinion that the ultimate liability, if any, will not have a material adverse impact upon the Group's financial position.

16. CAPITAL COMMITMENT

	<u>30.9.2001</u> HK\$'000	<u>31.3.2001</u> HK\$'000
Capital expenditure in respect of the development of leasehold property authorised but not contracted for	300,000	-
	=====	=====



## **RESULTS**

The unaudited profit for the six months ended 30 September 2001 of the Group ("Interim Results") amounted to HK\$150,133,000, while the profit for the corresponding period in 2000 was HK\$170,805,000. The fall in the Interim Results was mainly attributed to the increase in the cost of newsprint during the period and the drop in revenue from advertising due to the weak economy of Hong Kong.

## **INTERIM DIVIDEND**

The directors declared an interim dividend of HK 3 cents per share (2000: HK 5 cents), payable to the shareholders whose names appear in the Register of Members of the Company on 11 January 2002. The interim dividend will be payable on 16 January 2002.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of Members of the Company will be closed from 8 January 2002 to 11 January 2002, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend proposed, all transfers accompanied by relevant certificates must be delivered to the Company's Share Registrar, Friendly Registrars Limited, at 5/F, Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration no later than 4:00pm on 7 January 2002.

## **FINANCIAL SUMMARY**

- As at 30 September 2001, the Group had time deposits, bank balances and cash of approximately HK\$1,014,000,000, sufficient to cope with future operation and expansion needs.
- As at 30 September 2001, the Group's bank borrowings amounted to approximately HK\$80,000,000.
- As at 30 September 2001, the ratio of the Group's bank borrowings to the shareholders' equity was about 0.03.
- The directors do not foresee any arrangement for substantial loan in the second half of the year.
- Since the Group's purchase of newsprint is settled in US dollars, the exposure of the Group's financial position to foreign exchange fluctuation is minimal.
- During the period, the Group's capital expenditure was approximately HK\$46,000,000.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 September 2001, the Group employed about 3,100 employees. Remuneration for employees including medical benefits is determined based on industry practice, and the Group reviews its remuneration policy on a regular basis. The Group has implemented a training scheme to groom new generations of journalists.

## **BUSINESS REVIEW**

"Oriental Daily News" remains the best selling Chinese newspaper in Hong Kong, and has been so for the 25th consecutive year. Despite the continued decrease in consumer spending due to the persistent slow recovery of the local economy and fierce competition in the newspaper industry, which has a considerable effect on the advertising segment of the Group, it still maintains a satisfactory performance with the support of its vast readership and its advertising customers. With its profound experience and contents of excellent quality, "Oriental Daily News" managed to outclass its competitors and achieved outstanding performance in spite of the sluggish economy.

For the third year after its first publication, "The Sun" still maintains its position as the third best selling Chinese newspaper in Hong Kong. The distinctive style and rich contents of "The Sun" are particularly popular among young readers. "The Sun" continued to improve its contents as well as refresh its layout in order to further enhance its quality, and has been widely accepted by its readers. The lowest advertising tariff and best value for money in advertising effects in Hong Kong win advertisers' confidence in "The Sun".

"East Touch" sustains its significant position in the industry. Its lively and original contents are primarily targeted

at young readers, endeavoured to cover the latest trend, fashionable items, apparels and accessories, and has been well received by young readers. This magazine, in the category of greater potential, contributes to the profits of the Group.

The businesses of "Eastweek" and "Oriental Sunday", together with the Group's 50% equity interest in Eastweek.com.hk Limited, the operator of the website "eastweek.com.hk", were disposed of to an independent third party on 17 September 2001 at a consideration of HK\$50,000,000 and HK\$15,000,000 respectively, generating a gain of approximately HK\$56,000,000 for the Group. With increased competition, the market for publications focused on news, entertainment and life style information is beginning to reach saturation point. The Group believes that further development in this market segment is extremely limited, and in order to direct its resources towards publications with higher development potentials, the Group decided to dispose of these two magazines.

Since its first issue released in 1991, "The Sun Racing Journal" has secured a position in the market of professional horse racing publications. With its comprehensive racing results data and accurate tips from horse commentators, it is well received by the racing circle. Its circulation remains steady among the top three best selling horse racing publications, and continues to contribute to the Group's circulation revenue. Stepping into the 11th year since its first issue, "The Sun Racing Journal" has the most extensive racing data among the peers in its database, which is one of the Group's most valuable assets.

"orisun.com", the Group's portal, together with its websites have a daily average pageview of 6,500,000. Primarily, "orientaldaily.com.hk", "the-sun.com.hk", "easttouch.com.hk", "orisun.com - newscentre" and "orisun.com - racing" are the most popular, visited by viewers all around the world. Its first subscribers-only website "orisun.com - racing" has achieved impressive subscription from both local and overseas subscribers. The coverage of the September 11th Incident in U.S.A. by "orisun.com - newscentre" proved to be extremely popular, boosting pageview to 10,600,000 on 13 September 2001. Its special feature "New War" has further demonstrated the Group's comprehensive resources and extensive archive.

In August 2001, the Group acquired a site in Tai Po Industrial Estate at a consideration of approximately HK\$35,000,000, for the construction of the Group's production and administrative headquarters. The Group intends to relocate its entire production and administrative teams into the new building upon completion, and the existing factory premise in Tai Po will be used as a warehouse. The factory premises in Yuen Long and Kowloon Bay will be surrendered to the landlord and rented out or disposed of, as the case may be, respectively. The Group believes that relocating the production and administrative teams under the same roof would not only result in effective management and deployment of resources, but also achieve effective cost control and reduction in terms of human resources and relevant materials, especially the rental expenses of its factory in Yuen Long. The Group estimates that the construction of the new building in Tai Po will take about three years to complete, and the cost of construction will be approximately HK\$300,000,000, which will be funded by the Group's internal resources.

## **BUSINESS OUTLOOK**

Subscription for "orisun.com" and electronic editions of the Group's publications targeting overseas readers are scheduled to be implemented in 2002. Revenue from online businesses will primarily consist of subscriptions, sales of content and online advertisements. The Group is currently investigating opportunities with business partners for the provision of short message services and voice mail services to increase the Group's revenue.

The economic recovery of Hong Kong from the financial turmoil in 1997 had been erratic and very slow. The September 11th Incident in U.S.A. introduces further uncertainties in global economy, and in view of possible further deterioration, it is envisaged that the economic recovery of Hong Kong will be stagnant in the short term. Although Hong Kong bankers had followed the US interest rate cuts by a total of 4 <sup>3</sup>/<sub>8</sub>% in a year, the economy showed little or no lasting response yet. In the face of deteriorating economy, some companies have to mitigate stringent financial position by layoffs and salary cuts, while some were forced out of the market. Coupled with high unemployment rate, the general public shows little confidence in the economy in the near future, and cautious spending continues. As a result of sluggish consumption, advertisers had cut down their advertising budget, which in turn has a direct impact on the newspaper industry. In order to cope with the current financial difficulty, the Group will, on the one hand, continue to control costs and expenses and, on the other hand, utilise its existing resources to explore business opportunities in preparation for future developments. However, at the current stage,

the directors believe that the future performance of the Group will be largely dependent on economic recovery of Hong Kong.

#### **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES**

During the period, neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's securities.

#### **AUDIT COMMITTEE**

The Audit Committee has reviewed with management the accounting policies and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited Interim Results. At the request of the directors, the Group's statutory auditors have carried out a review of the unaudited Interim Results in accordance with Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

#### **CODE OF BEST PRACTICE**

The Company has complied throughout the six months ended 30 September 2001 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited save that the non-executive directors are not appointed for a specific term of office.

#### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

At 30 September 2001, the interests of the directors and chief executive of the Company and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

<u>Name of director</u>	<u>Number of shares held</u>				<u>Total</u>
	<u>Personal interests</u>	<u>Family interests</u>	<u>Corporate Interests</u>	<u>Other Interests</u>	
Mr. Shun-choi LAM	-	24,000	-	-	24,000
Mr. Siu-leun CHAM	165,000	-	-	-	165,000

Save as disclosed herein, none of the directors, the chief executive or their associates had any interests in any shares of the Company.

#### **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

At no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors, their spouses or children under the age of 18 had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES OF THE COMPANY

At 30 September 2001, so far as the directors were aware, those persons or corporations who, directly or indirectly, were interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance were as follows:

<u>Name of shareholder</u>	<u>Number of shares held</u>		<u>Shareholding percentage</u>
	<u>Direct interest</u>	<u>Indirect interest</u>	
Madam Wei-chen LAM	-	1,562,615,880	65.2
Ever Holdings Limited	84,281,880	1,478,334,000	65.2
Tarbela Company Limited	681,037,500	-	28.4
Tarboca Company Limited	549,284,100	-	22.9
Sermost Limited	248,012,400	-	10.3

Madam Wei-chen LAM is the beneficial owner of the entire issued share capital of Ever Holdings Limited. Ever Holdings Limited is the holding company of Tarbela Company Limited, Tarboca Company Limited and Sermost Limited. Accordingly, the interests of Madam Wei-chen LAM in the Company duplicate the interests of Ever Holdings Limited and the interests of Ever Holdings Limited in the Company duplicate the interests of its three wholly-owned subsidiaries mentioned above.

Save as disclosed herein, the directors are not aware of any person holding 10% or more of the Company's issued share capital as at 30 September 2001.

On 3 November 2001, Madam Wei-chen LAM disposed of her entire interest in Ever Holdings Limited to Magicway Investment Limited. Magicway Investment Limited was incorporated in the British Virgin Islands and is beneficially owned by a trust entity established solely for the purpose of the relevant trust. The Group had made an announcement of the relevant information with further details on 5 November 2001.

On behalf of the Board  
Shun-choi LAM  
Chairman

Hong Kong, 13 December 2001