

Chairman's Statement

RESULTS

The Group recorded a turnover of HK\$2,220,768,000 for the year ended 31 March 2002, representing a decrease of 10% over HK\$2,465,518,000 for the previous year, while profit attributable to shareholders was HK\$303,328,000, representing an increase of 13% over the HK\$268,998,000 recorded in the previous financial year. The increase in the Group's profit was mainly attributed to the success of the Group's cost control measures, the declining cost of newsprints and the profit on the disposal of the magazine business during the year.

DIVIDEND

The Directors of the Company recommend a final dividend of HK 7 cents (2001: HK 6 cents) per share for the year ended 31 March 2002, payable to the shareholders whose names appear on the Register of Members of the Company on 7 August 2002. Together with the interim dividend of HK 3 cents (2001: HK 5 cents) per share paid, the total dividend for the whole year amounts to HK 10 cents (2001: HK 11 cents) per share. The proposed final dividend will be payable on 20 August 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 31 July 2002 to 7 August 2002, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the final dividend proposed, all transfers accompanied by relevant share certificates must be deposited at 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 4:00 pm on 30 July 2002.

BUSINESS REVIEW

"Oriental Daily News" is the best selling Chinese newspaper in Hong Kong and has been so in the last 26 years in a row. "Oriental Daily News" has been receiving tremendous support from its readers, where its news contents, in particular, are highly praised by its readers from all walks of life, securing its position as the most influential newspaper in Hong Kong. During the year, "Oriental Daily News" continued to seek for new challenges, and by refreshing its contents and design, successfully drew readers of different age groups and social classes. In spite of a drop in advertising revenue due to the sluggish general economy of Hong Kong, "Oriental Daily News" managed to record an increase in circulation revenue during the year, and together with the effective cost controls, brought along encouraging results for the Group and continues to make significant contributions to the Group's revenue.

Since its first publication in March 1999, "The Sun" has been facing intense competition in the nearly-saturated Chinese newspaper market. Nonetheless, leveraging on its distinct quality and enthusiasm, "The Sun" continues to be widely supported by readers and maintains its strong position as the third best selling Chinese newspaper in Hong Kong for the third consecutive year, being well ahead of the fourth best selling Chinese newspaper. Its achievement is well known to everyone. During the year, "The Sun" continues to improve itself on contents and layout design, breaking through as an innovator. The launch of a new magazine style section incorporating news, current affairs and trendy information in March this year has particularly been well received by readers, displaying the unique style and strengths of "The Sun". The Group was particularly delighted to see the launch of this new section received wide support and encouraging feedbacks. "The Sun" continues to seek opportunities to work with other sectors during the year, where it organised or co-organised some thirty events, dedicated to promote its lively and energetic images, and gained recognition and support from the general public, which has a particularly positive effect on drawing advertisers.

Stepping into the eleventh season since its first publication in 1991, "The Sun Racing Journal" continues to earn its support and secure its position as a proven expert in the professional horse racing publications market. Its commitments to bringing the most updated coverage of stables and reliable tips from well-known horse commentators are undoubtedly the reasons why "The Sun Racing Journal" continues to be cherished by so many fans of horse racing, securing its position among the top three best selling horse racing publications in Hong Kong and continues to generate steady inflow to the Group's circulation revenue. Furthermore, "The Sun Racing Journal" has a racing database that is considered the most comprehensive of its kind, and is one of the most valuable assets of the Group.

In February 2000, the Group launched the "orisun.com" portal as part of its cautious but strategic diversification plans to increase and strengthen its value-added businesses. A boost to income has already been derived from advertisement and content sales from the successful launching of the subscriber-only websites - "Oriental Daily News ©Paper", "The Sun ©Paper" and the "orisun.com's Horse Racing" sites. The idea of "Oriental Daily News ©Paper" and "The Sun ©Paper" was first conceived by the Group's Honorary Chairman, Mr. Ching-kwan MA, for the purpose of putting the traditional printed edition in its entirety on the Internet, which can be accessed by readers by browsing the paper page by page. After dedicated research, the Group has successfully put the traditional printed edition in its entirety on the Internet and launched "Oriental Daily News ©Paper" and "The Sun ©Paper" on 8 February 2002. The Group has therefore set a new standard for web news publishing, and reaffirmed its leadership role within the industry. Recent figures show the aggregate pageviews of orisun.com's websites averaged 7,000,000 daily with viewers from Chinese communities spanning the globe actively visiting our sites. Among the most popular are the "orientaldaily.com.hk" and the "the-sun.com.hk" websites, with the "orisun.com-newscentre" and the subscriber-only websites following closely behind.

The year 2001 has been a difficult year for the Hong Kong economy. With record-breaking unemployment rates and a weak spending atmosphere, aggravated by increasing competition among the industry players and a saturated magazine market, the Group believed that prospects of leisure magazines to be limited and subsequently disposed of its businesses of "Eastweek" and "Oriental Sunday" (including their respective websites) in September 2001, at a profit of approximately HK\$56,000,000. The Group later disposed of the business of "East Touch" (including its website) in January 2002 at a profit of approximately HK\$15,000,000. The Group disposed of all its magazine businesses during the year in order to consolidate its resources for the development of newspaper businesses.

PROPERTY UNDER DEVELOPMENT

The piling of the Group's new factory in Tai Po has commenced, and the construction is scheduled to be completed by the first quarter of 2004. The Group intends to relocate all its production and administrative teams to the new premise whereas the existing factory in Tai Po will be used as a warehouse, in order to achieve better management by bringing together resources and cutting down rental costs on the factory in Yuen Long. The factory building in Kowloon Bay will be let out or disposed of depending on the market situation at the time.

BUSINESS OUTLOOK

Owing to the dreary economic condition of Hong Kong, advertisers tend to be more conservative when making decisions on promotion, and that is expected to have adverse effect on the newspaper industry to a certain extent. On the other hand, while prices for newsprints continue to drop together with the implementation of stringent cost-cutting policies, the Group expects its newspaper businesses to grow steadily in the coming year.

The "Oriental Daily News ©Paper" and "The Sun ©Paper" sites are currently earmarked for further development and expansion this year. Tremendous opportunities in the information services both within the Greater China region and international markets will be tapped to further establish our presence, and form a solid base for the Group's subscription-based web businesses. Some of the objectives of the Group's short-term plans include the development of a Simplified Chinese edition of the ©Papers, overseas editions, and enhanced multimedia-advertising facilities. Work will also be focused on the creation of an Open ©Paper publishing platform that will be at the core of future business development.

Based on the successful operation on the Dow Jones Oriental B2B financial channel, "orisun.com" will explore further business opportunities in the production of multi-media content. We are currently looking into providing content through third generation (3G) mobile phones and television production, which when completed, will contribute significantly to the Group's revenue stream.

All in all, the economic recovery in Hong Kong economy is apparently slow and is subject to numerous external factors, depending, on the one hand, upon the recovery and the extent of recovery of the US economy and, on the other hand, the effect of China's accession to the WTO on Hong Kong. The Group believes that the US economy has seen its worst by now and further deterioration would be unlikely. Furthermore, China has been admitted to the WTO for a certain period of time by now, and it is expected that Hong Kong will continue to play an important role in the financial and services domains. Therefore, the Board is prudently optimistic about the future development of the Hong Kong economy, where recent trends in the property markets showed signs of economic recovery. If the sale of properties continues to rise and consumer spending increases, advertisers are expected to increase their level of marketing activities, thereby benefiting the Group's advertising revenue.

With sufficient liquidity, the Board may seek for local or overseas investments should suitable opportunities arise, to enhance the Group's income.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital as at 31 March 2002 increased by 15% to HK\$1,376,867,000 [31 March 2001: HK\$1,194,446,000 (restated)], mainly on account of profit attributable to shareholders for the year. The Group's bank and cash balances amounted to HK\$1,274,154,000 at the year end date, a 34% increase as compared to HK\$951,053,000 at the beginning of the year.

As at 31 March 2002, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 5.1% [2001: 6.9% (restated)].

During the year, the Group's capital expenditure was approximately HK\$73,468,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2002, the Group employed 2,645 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

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

CONTINGENT LIABILITIES

As at 31 March 2002, 627 (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 as stipulated in the Ordinance, the Group's liability at 31 March 2002 would have been approximately HK\$83,100,000 (2001: HK\$83,800,000), of which HK\$8,200,000 (2001: HK\$8,200,000) has been provided for in the financial statements. In the opinion of the Directors, the amount provided for is considered to be adequate.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

On behalf of the Board
Shun-choi LAM
Chairman

Hong Kong, 20 June 2002