

Chairman's Report

I am pleased to present the Annual Report and audited accounts of Ming Pao Enterprise Corporation Limited and its subsidiaries for the year ended 31st March 2002.

BUSINESS REVIEW

The financial year under review was a year of excitement and challenges. As a Chinese media group, we witnessed China cheerfully gaining the hosting rights for the Year 2008 Olympic Games and its long awaited accession to the World Trade Organization (WTO), events that signalled China's continuous progress towards a prosperous, open and modern society.

Meanwhile, Hong Kong's economic downturn posed a challenge to companies in all sectors. Media corporations were not immune. The advertisement pie shrank significantly as a result of the weakening and sluggish economy, adversely affecting the Group which suffered a decline in turnover of about 14% and a net loss of almost HK\$14 million in the first half of the financial year 2001-2002.

The second half of the financial year faced the full negative impact of the world-shocking terrorist attack on September 11. Competitions and price wars intensified in the advertising industry and cutthroat packages offered in the travel businesses were unheard of.

With the dedication and competency of the Group's management staff, decisive cost cutting measures and aggressive explorations to tap new revenues were promptly and effectively implemented for the Group to stay competitive. Total headcount was reduced by 7% when compared to that of last year and year-end obligatory double pay was replaced by a performance-based bonus. Lower newsprint prices were locked in over a longer period of time. New and existing advertising customers were offered innovative packages. Productivity evidently improved and overall advertisement volume was maintained at a comparable level with that of last year. By the end of the financial year, the Group has emerged stronger, with a healthier financial position than at mid-year and the net loss for the year was reduced to below HK\$5 million.

We would like to highlight and share our pride in that the higher efficiency and better than expected results were achieved without any sacrifice on the quality of news reporting that Ming Pao Daily News ("Ming Pao") stands for. In fact, Ming Pao received in the past year a historic number of awards and prizes for its outstanding editorial content and presentation.

In an authoritative survey conducted by the Chinese University of Hong Kong, Ming Pao was designated the most credible media organisation in Hong Kong, out-performing all other Chinese and English newspapers and electronic media. A report on the repeated occurrence of dust storms in Beijing, together with other in-depth reports, have won the championship prize for Ming Pao in the annual news contest organised by The Newspaper Society of Hong Kong. Awards were also granted by The Society of Publishers in Asia (SOPA) and Ifra, both respected media organisations of regional standing, in recognition of Ming Pao's editorial excellence and newspaper design respectively.

Ming Pao's overseas editions (in Toronto, Vancouver and New York) and Charming Holidays, the Group's travel business which has presence in both Hong Kong and North America, have returned to a normal growth path after suffering from a sudden deterioration in business as a result of the September 11 Incident. Mingpao.com Limited, the Group's Internet arm, has shown significant



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improvement in its operating results after a re-structuring in October last year. It continues to provide real-time updated news to over 2,200,000 readers/unique users every month on the Internet.

As regards the legal action commenced by the Group against CIM Company Limited ("CIM") for the enforcement of the indemnity given by CIM for the repayment of a loan of approximately HK\$186,000,000, the Group, through its solicitors, completed all interlocutory matters of such action and obtained dates for the hearing of the trial. The trial is scheduled to take place on 20th January 2003.

OUTLOOK

The outlook for the year 2002-2003 remains uncertain and challenging. On the one hand, the slow but steady recovery of the US economy and China's strong GDP growth make the economic picture more promising than the previous year. On the other hand, the emergence of a free newspaper in underground railway stations has added competition to an already volatile media market. Nonetheless, we are still cautiously optimistic about our business performance in the coming year.

APPRECIATION

Lastly, on behalf of the Board of Directors, I would like to express my sincere gratitude to the management and staff for their commitments, contributions, dedication and hard work. I would also like to truly thank our readers, advertisers, customers, suppliers and partners for their continuous support.

Tan Sri Datuk TIONG Hiew King
Chairman

Hong Kong, 5th July 2002