



東方報業集團有限公司
ORIENTAL PRESS GROUP LTD

Interim Report

2002

The Directors of Oriental Press Group Limited (the “Company”) announce that the unaudited consolidated results of the Company and its subsidiaries (the “Group”), 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 2002

	<i>NOTES</i>	Six months ended	
		30.9.2002 (Unaudited) <i>HK\$'000</i>	30.9.2001 (Unaudited) <i>HK\$'000</i>
Turnover		1,017,511	1,181,533
Other operating income		18,116	29,041
Raw materials and consumables used		(251,077)	(430,823)
Staff costs		(375,491)	(421,696)
Depreciation		(53,589)	(64,482)
Other operating expenses		(112,383)	(181,043)
Gain on disposal of publishing rights		—	42,487
Profit from operations		243,087	155,017
Gain on disposal of an associate		—	13,549
Finance costs		(1,022)	(2,334)
Profit before taxation		242,065	166,232
Taxation	4	(37,922)	(16,099)
Profit for the period		<u>204,143</u>	<u>150,133</u>
Dividend	5	<u>167,854</u>	<u>143,875</u>
Earnings per share	6	<u>8.51 cents</u>	<u>6.26 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 SEPTEMBER 2002

	<i>NOTES</i>	30.9.2002 (Unaudited) <i>HK\$'000</i>	31.3.2002 (Audited) <i>HK\$'000</i>
Non-Current Assets			
Property, plant and equipment	7	1,095,437	1,143,361
Property under development	7	91,383	57,655
		<u>1,186,820</u>	<u>1,201,016</u>
Current Assets			
Inventories		109,818	102,043
Trade receivables	8	252,476	243,356
Other debtors, deposits and prepayments		17,580	11,814
Taxation recoverable		4,100	7,458
Time deposits, bank balances and cash		1,354,414	1,274,154
		<u>1,738,388</u>	<u>1,638,825</u>
Current Liabilities			
Trade payables	9	42,022	28,315
Other creditors, accruals and deposits received		166,025	154,522
Taxation payable		35,741	1,129
Bank borrowings – due within one year		78,449	77,992
		<u>322,237</u>	<u>261,958</u>
Net Current Assets		<u>1,416,151</u>	<u>1,376,867</u>
		<u>2,602,971</u>	<u>2,577,883</u>
Capital and Reserves			
Share capital	10	599,479	599,479
Reserves	11	1,869,323	1,833,034
		<u>2,468,802</u>	<u>2,432,513</u>
Non-Current Liabilities			
Bank borrowings – due after one year		35,454	46,655
Deferred taxation		98,715	98,715
		<u>134,169</u>	<u>145,370</u>
		<u>2,602,971</u>	<u>2,577,883</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Total equity (Unaudited) <i>HK\$'000</i>
At 1 April 2001	1,756,059
Profit for the period	150,133
Dividend	(143,875)
At 1 October 2001	1,762,317
Deficit on revaluation and net loss not recognised in the consolidated income statement	(10,540)
Profit for the period	153,195
Dividend	(71,938)
At 31 March 2002	1,833,034
Profit for the period	204,143
Dividend	(167,854)
At 30 September 2002	<u>1,869,323</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

	Six months ended	
	30.9.2002 (Unaudited) <i>HK\$'000</i>	30.9.2001 (Unaudited) <i>HK\$'000</i>
Net cash from operating activities	288,190	185,672
Net cash (used in) from investing activities	(29,347)	36,311
Net cash used in financing activities	(178,583)	(158,667)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	80,260	63,316
Cash and cash equivalents at beginning of the period	1,274,154	951,053
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>1,354,414</u>	<u>1,014,369</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice No. 25 "Interim financial reporting".

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 for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2002 except as described below.

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statement
SSAP 34	Employee benefits

The adoption of SSAPs has resulted in a change in the format of presentation of the cash flow statement, and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Group is primarily engaged in the publication of newspapers. All of the Group's activities during the period are carried out in Hong Kong and all of the Group's assets are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

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 2002, dividend for the period of HK7 cents (2001: HK6 cents) per share was paid to the shareholders as the final dividend for the year ended 31 March 2002.

The Directors have determined that an interim dividend of HK3 cents (6 months ended 30 September 2001: HK3 cents) per share would be paid to the shareholders of the Company whose names appear in the Register of Members on 19 December 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\$204,143,000 (2001: HK\$150,133,000) and on 2,397,917,898 (2001: 2,397,917,898) shares in issue during the period.

7. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND PROPERTY UNDER DEVELOPMENT

During the period, the Group acquired plant and equipment of approximately HK\$5,947,000 and spent approximately HK\$33,728,000 on construction of its new factory.

8. TRADE RECEIVABLES

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

The following is an aged analysis of trade receivables:

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
0 – 60 days	151,358	135,872
61 – 90 days	53,852	60,037
> 90 days	47,266	47,447
	<u>252,476</u>	<u>243,356</u>

9. TRADE PAYABLES

The following is an aged analysis of trade payables:

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
0 – 60 days	34,181	16,374
61 – 90 days	1,723	3,377
> 90 days	6,118	8,564
	<u>42,022</u>	<u>28,315</u>

10. SHARE CAPITAL

	Number of shares 31.3.2002 and 30.9.2002	Share capital 31.3.2002 and 30.9.2002 HK\$'000
Ordinary shares of HK\$0.25 each		
Authorised:		
At beginning and end of the period/year	5,000,000,000	1,250,000
Issued and fully paid:		
At beginning and end of the period/year	2,397,917,898	599,479

11. RESERVES

	Share premium HK\$'000	Exchange reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2001	814,485	1,854	145,202	794,518	1,756,059
Profit for the period	–	–	–	150,133	150,133
Dividend	–	–	–	(143,875)	(143,875)
At 1 October 2001	814,485	1,854	145,202	800,776	1,762,317
Deficit on revaluation and net loss not recognised in the consolidated income statement	–	–	(10,540)	–	(10,540)
Profit for the period	–	–	–	153,195	153,195
Dividend	–	–	–	(71,938)	(71,938)
At 31 March 2002	814,485	1,854	134,662	882,033	1,833,034
Profit for the period	–	–	–	204,143	204,143
Dividend	–	–	–	(167,854)	(167,854)
At 30 September 2002	<u>814,485</u>	<u>1,854</u>	<u>134,662</u>	<u>918,322</u>	<u>1,869,323</u>

12. OPERATING LEASE COMMITMENTS

As lessee

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

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
Within one year	7,710	7,998
In the second to fifth year inclusive	6,380	9,860
	<u>14,090</u>	<u>17,858</u>

As lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
Within one year	2,363	2,362
In the second to fifth year inclusive	787	1,969
	<u>3,150</u>	<u>4,331</u>

13. RELATED PARTY TRANSACTIONS

During the period, the Group paid legal fees amounting to approximately HK\$777,000 (2001: HK\$2,300,000) 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.

14. OUTSTANDING LITIGATIONS

At 30 September 2002, there were several 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.

15. CAPITAL COMMITMENT

	30.9.2002 HK\$'000	31.3.2002 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment		
– Authorised but not contracted for	270,000	300,000
– Contracted but not provided for in the financial statements	–	3,698

RESULTS

The unaudited profits of the Group for the six months ended 30 September 2002 (“Interim Results”) amounted to HK\$204,143,000, while profits for the corresponding period in 2001 was HK\$150,133,000. The increase in Interim Results, as compared to the corresponding period last year, was mainly due to the effective cost control measures adopted by the Group during the period, as well as the exploration of additional income sources.

INTERIM DIVIDEND

The Board declared an interim dividend of HK3 cents per share (6 months ended 30 September 2001: HK 3 cents), payable to shareholders whose names appear in the Register of Members of the Company on 19 December 2002. The interim dividend will be payable on 20 December 2002.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 December 2002 to 19 December 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 lodged with 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 13 December 2002.

BUSINESS REVIEW AND OUTLOOK

“Oriental Daily News” remains the best-selling Chinese newspaper in Hong Kong, and has been so for the 26th consecutive year, with a readership of over 3,100,000 according to a recent survey, representing over 50% of the Hong Kong population over 9 years of age. Readers spectrum spreads across all walks of life from various age groups, education and professional backgrounds, loyal readers including senior executives from government and commercial sectors, SME professionals, self-employed entrepreneurs to the general public, proving itself to be “a newspaper of Hong Kong people”. In terms of news contents, “Oriental Daily News” never stops to improve and continues to build on its investments.

The circulation of “Oriental Daily News” has been confirmed by one of the “Big Four” international audit firms, with actual daily average sales of over 475,000 copies during the period of May to August this year, over 30% more than the daily average number of printed copies (including wastage, complimentary copies and unsold copies) claimed by the 2nd best-selling Chinese newspaper during that period. Since many readers travelled abroad during the school vacation period, coupled with factors such as the end of the horse-racing season, May to August was the period often considered an off-peak season for the newspaper industry. Nonetheless, “Oriental Daily News” still recorded an outstanding daily average circulation of nearly 500,000 copies. Entering September, as readers returned from abroad and the horse-racing season commenced, the highest sales on one day of “Oriental Daily News” reached 526,479 copies, over 40% more than the claimed volume of printing (including wastage, complimentary copies and unsold copies) of the 2nd best-selling Chinese newspaper, demonstrating “Oriental Daily News” to be well in the lead against the 2nd best-selling Chinese newspaper and all other Chinese newspapers in Hong Kong. For six days in September “Oriental Daily News” recorded an actual daily sales exceeding 500,000 copies.

According to the “Readership and Consumption Survey” conducted by Hong Kong Polling and Business Research Company during the period from 4 to 17 November this year, “Oriental Daily News” has a regular readership exceeding 3,100,000, representing over 50% of the Hong Kong population over 9 years of age and 33% more than the 2nd best-selling Chinese newspaper.

Although advertising income was affected by the continuous sluggish economy of Hong Kong, leveraging on its solid base and wide support from its readers, customers and advertisers, profits of “Oriental Daily News” on the whole remains to be the best amongst all Chinese newspapers in Hong Kong.

“The Sun” maintains its strong position as the 3rd best-selling Chinese newspaper in Hong Kong. After a series of revolutionary changes in June this year, both layout design and contents of the News, Finance, Entertainment, Sports, Horse-racing and Features sections have once been refreshed, in particular there was a major breakthrough in the Features, introducing new technology and new trends, and winning vast popularity amongst young readers.

The circulation of “The Sun” has been confirmed by one of the “Big Four” international audit firms with a daily sales of over 200,000 copies for certain dates in September, gradually pulling itself closer to the printed copies (including wastage, complimentary copies and unsold copies) claimed by the 2nd best-selling Chinese newspaper and well ahead of the 4th ranking Chinese newspaper. In only three years since its first publication, with its distinctive style, energetic style and its strong adaptability to new trends and novelties, “The Sun” has a young readership with the most abundant spending power, making the most remarkable achievements as a young yet creative newspaper amongst all Chinese newspapers in Hong Kong. All facilities, printing presses, computer hardwares and softwares of “The Sun” are of the most advanced technology. Such excellent printing quality together with an excellent editorial team and a young, buoyant design concept and relatively low advertising rate in comparison to the top and 2nd best-selling Chinese newspapers, its advertising spaces are able to provide the best value for money to cater for the requirements of advertisers under the current economy.

“The Sun” will not be satisfied with the 3rd position, and it aims to be the 2nd best-selling Chinese newspaper in Hong Kong. With a mixture of high morale and ambition amongst its staff, “The Sun” will no doubt achieve notable growth when it gains more experience and will soon challenge the 2nd best-selling Chinese newspaper and achieve breakeven with 100% support of the Group.

After three years of development, “The Sun” has successfully outclassed its competitors and emerged as the most energetic and ambitious newspaper amongst other existing Hong Kong Chinese newspapers, with support from a diverse group of middle-aged and young readers amongst the three reader groups, namely elderly, middle-aged and young readers, and there remains ample space for development in terms of attracting new readers. “The Sun” aims to target fresh university and college graduates who are on the verge of entering the working population. Since most of these readers do not habitually read any one specific newspaper, and that they are the up and coming generation of our society, the Group believes this reader group will be a good nurture bed for “The Sun” with immense potential. As these intellectuals of the next generation become long-term readers of “The Sun”, “The Sun” will accompany these young talents and penetrate across all industries, and in the long run, will be able to secure its position in the middle-upper-class society. “The Sun” currently mainly targets young readers from secondary students to middle-aged generations while at the same time strives to attract more readers to widen its readership as well as to upgrade the average education level of its readers, so as to stabilise and increase “The Sun”’s circulation. In achieving this new goal, “The Sun” will focus on altering and enhancing its contents, such as adding updated news on colleges and schools, information on education, update of office life, fashion trend, novelties, travel and dining and new developments in information technology, so as to cater for the interests of young professional readers. In fact, there will be immense room for growth for “The Sun”, which will undoubtedly become the ultimate newspaper of the new generation.

Stepping into the 12th season since its first issue released in September 1991, “The Sun Racing Journal” continues to bring comprehensive racing results data, information from the stables and reliable tips from horse commentators, winning popularity amongst fans of horse-racing. Its circulation remains steady among the top three best-selling horse-racing publications, and continues to contribute to the Group’s circulation revenue. In addition, “The Sun Racing Journal” has the most extensive racing database among its peers, and is one of the Group’s most valuable assets.

The Group’s portal, “orisun.com” has now established itself within the internet community. Its portfolio of products, led by “orientaldaily.com.hk”, “the-sun.com.hk”, “orisun.com-racing” and “real-time news”, is continuously expanded its readership, and currently experiencing over 8,000,000 page views per day. This provides both increased penetration into the internet market and an opportunity for further value-added businesses for the Group. Since the launch of the “Oriental Daily News ©Paper” and “The Sun ©Paper” in February 2002,

the websites have established a subscriber based business model, attracting over 200,000 members. This has created a strong loyalty between the Group and its readers throughout the world and is creating the basis for a number of new online advertising opportunities. "orisun.com" provides content to a number of telcos and handset manufacturers. It is currently extending this service to expand its sales coverage and content, and enhance its value-added services. This short to medium term development plan for "orisun.com" will focus on driving more value from the ©paper, subscriber-based websites, content provision and voice mail services.

Looking ahead, "Oriental Daily News" will maintain its established basis while at the same time seeks to change, breakthrough and improve. "The Sun" will fully capitalise on its current competitive edge with a new direction towards the goal of becoming the 2nd best-selling Chinese newspaper. The Group plans to adjust the width of its two newspapers from 29 1/2 inches to 29 inches from the beginning of next year, in line with current environmental concerns and international standards, as well as narrowing down costs, so as to generate higher profits for the Group. The Group will build on its mission on investments, continue to develop its established business and improve other developing segments. With over 30 years of successful history in operating "Oriental Daily News", the Group believes it will be able to overcome all complications and push its newspaper business to a new era. Although the economy of Hong Kong is still affected by the general gloomy atmosphere of the global economy where recovery would be unlikely in the short run, the Group will adjust its strategies according to circumstances and will continue to implement its cost control policies, controlling expenses on the one hand and actively exploring more business opportunities on the other. Ultimately, the Group will strive to achieve the most outstanding results in the newspaper industry in Hong Kong.

The piling of the Group's new head office in Tai Po has commenced, and the foundation work is scheduled to be completed by early 2003, and the new premises is targeted to be completed by 2004. The Group intends to relocate all its production and administrative teams to the new premises in order to achieve better management by bringing together resources and cutting down rental costs on the factory in Yuen Long. The head office in Kowloon Bay will, depending on the market situation at the time, be let out for stable rental income, or disposed of for cash which will be used for investment purposes.

FINANCIAL RESOURCES AND LIQUIDITY

The working capital of the Group at 30 September 2002 increased by HK\$39,284,000 to HK\$1,416,151,000 (31 March 2002: HK\$1,376,867,000), mainly on account of profit attributable to shareholders for the period. The Group's bank and cash balances amounted to HK\$1,354,414,000 at 30 September 2002 (31 March 2002: HK\$1,274,154,000).

At 30 September 2002, the gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 4.6% (31 March 2002: 5.1%).

During the period, the Group's capital expenditure was approximately HK\$40,000,000.

EMPLOYEES

At 30 September 2002, the Group employed approximately 2,600 employees. Remuneration for employees including medical benefits is determined based on industry practice, the performance and the working experience of the employees, and the current market conditions. The Group has implemented a training scheme to nurture 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 HK and US dollars, therefore the Group is not exposed to any foreign currency exchange risk provided Hong Kong's pegged exchange rate system remains unchanged.

CORPORATE GOVERNANCE

The Audit Committee of the Company has reviewed with the statutory auditors of the Group the unaudited interim financial statements for the six months ended 30 September 2002.

The Company has complied 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 throughout the six months ended 30 September 2002 save that the non-executive directors are not appointed for a specific term of office.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SECURITIES

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 30 September 2002, the interests of the directors and the 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:

Name of director	Number of shares held				Total
	Personal Interests	Family interests	Corporate interests	Other interests	
Mr Siu-leun CHAM	165,000	-	-	-	165,000

Save as disclosed above, 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, any of its holding companies 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 been granted or exercised any rights to subscribe for the securities of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES OF THE COMPANY

At 30 September 2002, so far as the directors were aware, the 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:

Name of shareholder	Number of shares held			Shareholding percentage
	Direct interest	Indirect interest		
Mr Ching-fat MA (Trustee for Ma's Family Trust)	-	1,533,767,800		63.9
Ma's Holdings Limited	-	1,533,767,800		63.9
Wonderful Star Limited	-	1,533,767,800		63.9
Magicway Investment Limited	-	1,533,767,800		63.9
Ever Holdings Limited	84,281,880	1,449,485,920		63.9
Tarbela Company Limited	681,037,500		-	28.4
Tarboca Company Limited	520,436,020		-	21.7
Sermost Limited	248,012,400		-	10.3

Ma's Family Trust is the owner of the entire issued share capital of Ma's Holdings Limited, and Mr Ching-fat MA holds the entire issued shares of Ma's Holdings Limited as trustee for Ma's Family Trust. Ma's Holdings Limited is the ultimate holding company of Wonderful Star Limited, and Wonderful Star Limited is the holding company of Magicway Investment Limited. Magicway Investment Limited is the holding company of Ever Holdings Limited. Ever Holdings Limited is the holding company of Tarbela Company Limited, Tarboca Company Limited and Sermost Limited. Accordingly, the holding of shares by Mr Ching-fat MA in Ma's Holdings Limited as trustee for Ma's Family Trust, and the interests of Mr Ching-fat MA in Wonderful Star Limited and Magicway Investment Limited 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 above, the directors are not aware of any person holding 10% or more of the Company's issued share capital at 30 September 2002.

On behalf of the Board
Shun-choi LAM
Chairman

Hong Kong, 28 November 2002