

BUSINESS OUTLOOK

The recent introduction of “Free Travel” scheme by the Mainland China has indirectly added growing momentum to our advertising income. To take advantage of the blooming consumer sentiments among the “Free Travel” tourists, advertisers have strengthened their advertising efforts. Thus, a significant growth in advertising volume has been recorded for the two newspapers of the Group and such growing trend is expected to persist.

The domestic market in the Mainland China represents another business opportunity for the Group. Copies of “Oriental Daily News” are commonly available in premium hotels and large eateries in big cities including Beijing, Shanghai and Guangzhou. In addition, domestic organizations or residents may subscribe for “Oriental Daily News” through China National Publications Import and Export Group in China. In pace with rapid development of the domestic market, it is envisaged that “Oriental Daily News” will begin to gain a higher penetrating rate on top of an increasing sales volume. Furthermore, the HKSAR government and the Mainland China have entered into the Closer Economic Partnership Arrangement (CEPA) in September this year, whereby certain industries in the territory are given first priority over other foreign institutions in respect of operating business in the Mainland China. Leveraging on solid strengths of “Oriental Daily News” in China, we are confident that a large pool of local and domestic advertisers can be secured for promoting greater advertising income.

To actively open up broader income sources, the Group is carefully studying the plan to introduce overseas versions into other large cities, with New York, USA and Toronto, Canada being our prime targets. The Group has equipped itself with certain basic equipment including a new medium-sized colour printing machine, computer software and the relevant ancillary facilities. Once the Group has recruited experienced staffs for the editing, administrative, operating, factory, printing and distribution departments, the North American version of “Oriental Daily News” and “The Sun” can begin publication and sale, and establish their footholds in the overseas market. Information collection, market analyses and recruitment process for such purpose are underway. With a low-cost and high-yield structure, the Group expects to generate profit contributions from the North American version of “Oriental Daily News” and “The Sun”. Further details will be released by the Group as and when the Group is ready to publish for sale in overseas market.

The Group also aims to achieve the target of “providing the most information with the least resources” by consolidating more teams and departments under a feasible structure. Through team and department consolidation, various costs including salaries, interview expenses and material costs can be substantially reduced. The Group’s policy of fostering synergies is considered from a macro-prospective and based on a number of discussions and researches. The Group is of the opinion that it is now the appropriate time for carrying out team and department consolidation. This policy will not only be conducive to the overall development of the Group, but also provide for the sentiments of the staff.

About 80% of the construction work of the Group’s new head office in Tai Po has been completed, and overall completion is scheduled for the first quarter of next year. Upon relocation of the Group to the new office in Tai Po next year, the Group will integrate the existing Kowloon Bay head office, the printing factory in Yuen Long and the old printing factory in Tai Po in order to centralise resource allocation and management. Moreover, a huge amount of rental expense can be saved from the existing printing factory in Yuen Long. Depending on the market demand at the time, the Group may decide to let out or dispose of the existing head office in Kowloon Bay, or may consider changing its usage to a three-star hotel or trading and commercial building in order to expand and diversify its investment portfolio, hence increasing its earning source.

FINANCIAL RESOURCES AND LIQUIDITY

The working capital of the Group at 30 September 2003 decreased about 12% to HK\$1,286,602,000 (31.3.2003: HK\$1,456,255,000), primary on account of the expenditure incurred on the construction of the Tai Po new head office of approximately HK\$185,256,000. The Group’s bank and cash balances amounted to HK\$1,206,603,000 at 30 September 2003 (31.3.2003: HK\$1,378,418,000).

At 30 September 2003, the gearing ratio of the Group, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 2.6% (31.3.2003: 2.3%).

During the period, the Group’s capital expenditure was approximately HK\$190,697,000.

EMPLOYEES

At 30 September 2003, the Group employed approximately 2,400 employees. Remuneration for employees including medical benefits is determined based on industry practice, performance and working experience of the employees, and the current market conditions. The Group has implemented a training scheme to nurture a new generation of journalists.