



Tan Sri Datuk
TIONG Hiew King
Chairman

CHAIRMAN'S REPORT

On behalf of the Board, I have the pleasure to present the Annual Report of Ming Pao Enterprise Corporation Limited and its subsidiaries ("the Group") for the year ended 31st March 2004. This financial year was a mixture of crisis and opportunity. It was also a year of growth and development.

CRISIS

In the beginning of the financial year, Mainland China and Hong Kong were hard hit by Severe Acute Respiratory Syndrome ("SARS"). Hundreds of innocent lives were taken away. The economy suffered a severe blow. The situation improved when Chinese authorities took decisive measures to control the spread of the disease. The controversy of political reform in Hong Kong also casts a shadow of uncertainty on Hong Kong's democratic future, affecting business confidence. Business results of most companies, including the Group, for the first half of the financial year were inevitably affected.

OPPORTUNITIES

During the second half of the financial year, economic recovery in Mainland China was stronger than most people had expected. It led to a shift of government policy. The Chinese Government announced a set of austerity measures targeted against several over-heated sectors such as the steel industries and real estate. Notwithstanding that, China's economy kept growing at a pace of over 8%. By the end of 2003, average GDP per capita in China has exceeded US\$1,000, which was a remarkable achievement for a country with

Publishing • Travel • Internet

1.3 billion population. Chinese people residing in every part of the world rejoiced. As a Chinese who had grown up in a rural village, I fervently wish that the prosperity now enjoyed by 500 million Chinese urban residents will soon be enjoyed by the other 800 million people who live in the rural areas.

Looking ahead, the rapid growth of the Chinese economy, coupled with an open door policy guaranteed by WTO entry agreements, has generated huge opportunities for Hong Kong and overseas investors. It also posed unprecedented challenges to all Chinese media operators. Our publications will continue to report on all aspects of the rise of China with objectivity and professionalism.

GROWTH

As one of the leading media organizations in the Chinese language publishing world, the Group is committed to serving the Chinese communities and to promoting Chinese culture around the world. Ming Pao Daily News, a renowned Chinese newspaper, has recently celebrated its 45th anniversary in Hong Kong. In April 2004, we launched the Daily's West United States edition in San Francisco. Together with the other three overseas editions based in Vancouver, Toronto and New York, we provide quality Chinese newspaper to all Chinese readers in North America, keeping them informed of the most updated developments in Mainland China and Hong Kong.

As always, Ming Pao Daily News upholds its principle of maintaining high journalistic standards in its address of social, political and business issues in both local and international arenas and continues to provide our readers with authoritative news and analyses. Continuous changes are also made to reflect our readers' tastes, needs and preferences.

Chairman's Report (cont'd)

We are now preparing for another phase of growth and expansion. The next focus is Europe and Australia. We foresee that in a few years' time, operational income from overseas news publications will represent a significant part of the Group's results.

DEVELOPMENT

In April 2004, we announced the strategic alliance with Redgate Media Inc. ("Redgate") resulting in the acquisition of 60% interest of Redgate's subsidiary Media2U, which is an up-rising media group dedicated to the magazine advertisement business in Mainland China. Media2U currently manages the Chinese versions of popular western titles such as "Popular Science", "Top Gear", "Digital Camera" and "T3 - Tomorrow Technology Today". We believe that this strategic alliance will create huge business synergies with our lifestyle magazines, namely Ming Pao Weekly, City Children's Weekly and HI-TECH WEEKLY, and help the Group to explore the fast-growing advertisement market in Mainland China.

According to an article in a business journal, total print media advertising revenues in China was approximately US\$5.5 billion in 2002 and is growing at approximately 37% annually. Despite impressive growth in advertising expenditures in Mainland China, advertisers find that the current media buying landscape is chaotic and cost-inefficient. In particular, the magazines' advertising market is highly fragmented. Thus, it provides a significant opportunity for a focused consolidator to emerge. The future strategic direction of our magazine business is to offer efficient and effective channels to place advertisements to create significant value for our advertisers. In addition, we are committed to providing quality Chinese magazines to our readers in China, keeping them informed of the most updated trend on international lifestyle and culture.

REVIEW AND OUTLOOK

The first half of the financial year faced the full negative impact of SARS. However, in the second half of the year, we achieved strong growth in both our newspaper and magazine businesses. While the Group's turnover for the year of HK\$1,001,788,000 was slightly less than that of last year, its profit attributable to shareholders improved from last year's HK\$33,207,000 to this year's HK\$41,864,000, representing an increase of 26%. This decent result is attributed to strong management with innovation and capabilities of achieving high productivity and efficiency.

The Group has a sound financial position and the market has started to pick up. Despite this, we believe that the Group continues to face the challenges of uncertain economic climate ahead. High crude oil prices will hamper economic growth in Asia. Escalating newsprint prices may also affect the performance of many publishing companies.

The Group will continue to look to expand our existing businesses while at the same time explore new investment opportunities. New investment opportunities demand for resources, but the Group will adopt a prudent investment policy and continue to focus on operational efficiency and organizational effectiveness.

COMMUNITY SERVICES AND DONATIONS

During the year, we live up to our social responsibility by participating in various community service activities, including the "Project Blossom" which raised education funds for children of SARS victims and the "East China Flood Relief Project" which raised funds for victims of serious flooding in Anhui Province, Mainland China. The projects met with enthusiastic response from the public and I would like to extend my appreciation to all the donors and partners of the projects for their support.

APPRECIATION

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

Tan Sir Datuk TIONG Hiew King

Chairman

Hong Kong, 19th July 2004