

# Review of Operations and Outlook

## RESULTS SUMMARY

The Group's audited consolidated turnover for the year ended 31st March 2004 was HK\$1,001,788,000 which was slightly lower than that of last year. Profit attributable to shareholders amounted to HK\$41,864,000, representing an increase of 26% over that of the previous year. The earnings per share was HK11 cents (2003: HK8 cents).

## NEWSPAPERS

### Ming Pao Daily News

The year of 2003 was full of difficulties and challenges. The outbreak of SARS lasted for almost five months, causing a slowdown in economic activities which in turn created a negative impact on Ming Pao Daily News' advertising revenue. The usual top advertising spenders e.g. property developers, banks and retailers were all hard hit by the SARS crisis and temporarily held back their advertising campaigns. Nevertheless, the Daily made a successful turnaround by fully capitalizing on the business opportunities which emerged upon the containment of the epidemic and economic improvement shown since the second quarter. The Daily's total advertising revenues for the financial year was only slightly lower than that of last year.

Throughout the year the Daily has increased focus on expanding distribution within the school network. Its extensive circulation network at schools and enriched editorial content in education have brought about good responses from advertisers, who regard the Daily as their first choice of promotional medium.

As Hong Kong and Mainland China are heading towards further economic and social integration, the Daily has set up a special editorial team to keep the readers more up-to-date with the latest political and economic news between Hong Kong and China. It has also given excellent coverage on major events of the year, including the SARS epidemic, the disastrous floods in Jianghuai areas, the Taiwan Election, Hong Kong's heated debate over political reforms and Chinese astronaut Yang Li Wei's unprecedented flight to space.

The new financial column "Money Monday" provides readers with a comprehensive guide for personal finance, wealth management and investments. The "Football Guide" which is published every Saturday since August 2003, brings in the latest sports news and soccer celebrity gossips. The entertainment pages have also been enriched with more colorful and compelling contents. The joint effort of the business and editorial teams have successfully produced regular supplements and quality book series on a variety of topics to meet reader and advertiser needs, including "Paris and Milan Fashion Special Issue" and "Guide to Secondary Schools Admission 04-05". These improvements in content and value-added publications are extremely well received by readers and advertisers alike, contributing to increases in both the Daily's advertising and circulation revenues.

In the beginning of 2004, the Group invested nearly HK\$6 million to upgrade the existing printing presses in Hong Kong, which helped to improve the Daily's overall printing quality as well as the operating efficiency.

### **Overseas Editions of Ming Pao Daily News**

The North America economy has gradually recovered since the second half year of 2003. The interest rates in the United States remain at a low level and have fueled prosperity in the local real estate market. Amid this positive business environment, Ming Pao Daily News' overseas editions have successfully adopted aggressive and pro-active strategies to sell advertisements. The complimentary magazines given along with the Saturday and Sunday papers help to boost circulation and generate a steady stream of advertising revenue. The Vancouver Edition reported a record high advertising revenue since its launch 10 years ago and it won the "Best Reporting - Chinese Language Award" granted by the Jack Webster Foundation. The Toronto Edition also performed well in advertising sales as a consequence of more colored pages and better printing quality from the upgraded printing facility.

The financial year simultaneously marked the 10th anniversary of the two Canadian Editions. Celebration banquets were held in both cities and were attended by representatives from Canada's federal, provincial and municipal governments. Among the special guests of honour was the Minister of National Defence.

The New York Edition has maintained a stable performance compared with that of last year. As the US economy and equity market are showing signs of further recovery, an improvement in performance is expected for the New York Edition in the coming year.

### MAGAZINES

#### Ming Pao Weekly

Ming Pao Weekly recorded a year-on-year drop in advertising revenue in the first half year caused by the outbreak of SARS which affected all media sectors. In order to maintain competitive edge and grow market share, Ming Pao Weekly improved its advertising business through customized publications which included the preparation of advertorial articles, supplements and other customized publications that met the advertisers' marketing needs. These measures, along with the gradual recovery in the business environment, contributed to the rapid rebound in the Weekly's advertising revenue in the second half year.

In July 2003, Ming Pao Weekly launched a new split book "mw beauté" featuring articles on lifestyle, cosmetics, beauty and health care. Responses from readers and advertisers are positive and the booklet helps to expand the Weekly's readership as well as revenue base.

To celebrate its 35th anniversary, Ming Pao Weekly staged a big celebration party in November 2003 and organized the all-star "Fourth Showbiz Award". A special issue was published to commemorate major events in the social and entertainment circles in the past 35 years.

#### Ming Pao Monthly

Ming Pao Monthly has gained the recognition and admiration of intellectuals and professionals, both in Hong Kong and overseas. Benefiting from Hong Kong's economic recovery and the influx of individual travellers from Mainland China, Ming Pao Monthly has recorded a 50% increase in its advertising revenue during the year.

Since the beginning of 2003, cultural organizations and institutions in Mainland China could subscribe for Ming Pao Monthly. This is an invaluable opportunity for the magazine to expand its business to this potential huge market. It will be the Monthly's strategy in the coming year to introduce more reports and feature articles on China's social and economic developments.

#### City Children's Weekly

City Children's Weekly has been providing young readers with educational and interesting information as well as family-friendly entertainment. It was once again awarded the "Caring Company" logo by the Hong Kong Council of Social Service during the year, acknowledging its contributions to the children in Hong Kong.

City Children's Weekly will be revamped in both design and content, accompanied with promotional campaigns and circulation programs to extend reach in the coming year. Closer ties with local primary schools will be fostered by joint programs to develop children's minds and bodies, reinforcing its image and gaining higher recognition from parents, teachers and its young readers.

### HI-TECH WEEKLY

HI-TECH WEEKLY has undergone a significant makeover in November 2003. It was transformed into a handy-sized and perfect-bound coated paper magazine with a more visual design and enhanced content for its readers. The retail price was adjusted from HK\$8 to HK\$12 at the same time. Its youthful content and presentation has won great support from both readers and advertisers. Along with a major promotional campaign, the magazine's circulation and advertising revenues have increased by nearly 16% when compared with those of last year.

In May 2004, HI-TECH WEEKLY launched a new booklet, "@WORK", featuring a whole new concept in office IT automation. The booklet is well received by its readers and this further improved the magazine's circulation in the local market.

### Yazhou Zhoukan

With a team of devoted correspondents and writers from around the world, Yazhou Zhoukan is able to offer its readers with insightful and in-depth information with "global vision and local passion". A series of special reports on surveys in different Asian countries, such as "Chinese Businesses 500" and "China's Top 100 Listed Companies" were published during the year. These became valuable references for politicians, financial professionals and the magazine's quality readers. In addition, Yazhou Zhoukan has teamed up with a number of banks and publishers to promote the magazine, which helped to boost its circulation.

Yazhou Zhoukan's business was affected by SARS in the first half year. However, as the economic climate began to improve, its advertising revenue recorded a significant improvement in the second half of the year. With continued efforts to control costs and streamline operations, Yazhou Zhoukan reported a significant improvement in its operating results for the year.

## BOOKS PUBLISHING

### Ming Pao Publications/Crystal Window Publications/Ming Man Publications

Ming Pao Publications achieved a better result this year in spite of the prevailing difficult market conditions. This is attributable to a series of aggressive promotions and the publishing of high quality books that are appealing to the readers. Its annual turnover recorded a double-digit growth when compared with the previous year.

To capture a market share in the vibrant children's publishing market, the company has focused on publishing more reading materials that are educational and well suited to young readers, over 40% of the 130 new book titles published this year targeted at this group. It is planned that books that help strengthen civil education and language learning, targeting at children and students, will be one of the company's key foci in the coming year.

## Review of Operations and Outlook (cont'd)

In addition, Ming Pao Publications will further expand business opportunities relating to the use of copyrighted materials. New distribution channels will be explored, with particular emphasis on possible partnerships with publishing houses in Mainland China.

### TRAVEL

#### Charming Holidays

In early 2003, the tourism industry suffered severe setbacks inflicted by the outbreaks of SARS in many countries around the world. During this difficult period, Charming Holidays took drastic measures to control costs, thereby minimizing the operating loss. Since many people delayed their travelling plans until the end of the year, Charming Holidays recorded a robust rebound in revenues in the last quarter of the financial year and revenues for the whole year decreased by about 10% only.

Looking forward, Charming Holidays is still faced with fierce price wars among local travel agents. It will adopt different strategies to cope with the competition and will continue to provide high quality services in order to capture more market share. New tourism routes to North Pole, Africa and South America will be explored for business growth. Charming Holidays will also continue to expand its study tour programs for which it has a competitive advantage by working in a close collaboration with Ming Pao Daily News, which is held in a high esteem in the education sector.

Charming Holidays' subsidiaries in the United States and Canada managed to record a 3% increase in annual turnover for the year through persistent sales efforts. The San Francisco branch began operations in April 2004. It is expected to further enhance the tour group's operating network across the east and west coasts of North America and help to improve its performance in the coming year.

### INTERNET

#### Mingpao.com

During the year, Mingpao.com continued to provide its members and subscribers with quality editorial content and value-added e-services. Its average daily pageviews reached over 4.3 million during the financial year. The aggressive measures that it has adopted to reduce expenditure have proved effective and resulted in a small profit for the year. In the coming year, it will further leverage on its competitive advantage as a communication channel of Ming Pao Daily News in producing more special reports and series on China and international issues, as well as lifestyle features aiming at attracting more visitors and members.

## COMMUNITY SERVICES

### Readers' Donations

As of March 2004, Ming Pao Daily News led a successful campaign to raise over HK\$8 million for the "East China Flood Relief Project" to help those who suffered from disastrous floods along the Huai River. The donations have been distributed through a number of charitable organizations to rebuild homes, hospitals and schools. Over 90,000 people were reported to have benefited.

Ming Pao Daily News also co-organized the "Guangdong Province Remote Area Education Relief Fund" with several Hong Kong education establishments to help develop education in remote areas in Guangdong Province. During the year, a total of RMB2 million was donated to help repair and rebuild eighteen schools.

After the SARS outbreak, the Group together with the Hong Kong Performing Artistes Guild organized the "Project Blossom" in May 2003. Up till 30th April 2004, nearly HK\$23 million donation was raised and a total of 287 school children who have financial difficulties in continuing education were offered assistance.

### School and Industry Activities

The "Student Reporters Scheme", organized by Ming Pao Daily News to train students with comprehensive and professional journalistic knowledge and exposure, entered its seventh year. Over 450 students participated in the program during the year.

2003 also marked the second year that Ming Pao Daily News was awarded the "Caring Company" logo by the Hong Kong Council of Social Service as an acknowledgement and recognition of its commitment to the community.

## BUSINESS DEVELOPMENT

The Group's magazine business was re-structured during the year. Those magazines with content that is relatively apolitical in nature and is orientated towards the entertainment, fashion, consumer electronics and other domestic consumption sectors are all grouped under a newly formed holding company. These include Ming Pao Weekly, City Children's Weekly and HI-TECH WEEKLY. The new holding company then formed a strategic alliance with Redgate Media Inc. ("Redgate") in April 2004. This resulted in the acquisition of 60% interest in Redgate's subsidiary, Media 2U, which holds a number of exclusive licenses for publications of well-known international magazines and operates advertising business in Mainland China. This strategic merger with Redgate paves the way for the Group to enter the lucrative advertising market in Mainland China.

## Review of Operations and Outlook (cont'd)

After months of preparations, Ming Pao Daily News' San Francisco Edition was successfully launched in April 2004. The new edition received a spectacular response from readers and advertisers. The Daily now has four operating units in North America which form a strong base for the Daily's future overseas expansion.

### OUTLOOK

In 2004, the Group's flagship newspaper, Ming Pao Daily News entered its 45th anniversary which marked a milestone in the Group's history and operations. To improve its competitiveness in the prevailing dynamic and challenging business environment, the Group will continue its sustained effort to develop its publications' contents to meet the specialized needs of readers from different social segments. Aggressive marketing and sales packages will be offered to our advertisers to help promote their products and services which in turn will bring revenues to the Group.

With years of extensive experience in the publishing industry, solid business strategies and a strong brand name, the Group is set to explore new business opportunities and investment projects. In particular, the newly acquired Media2U will play an important role for the Group's entry into the challenging magazine and advertising markets in China.

The management is particularly concerned that the newsprint prices are on an upward trend, and it will closely monitor the purchases and consumption of newsprint in the coming year. Simultaneously, the management is committed to continuing its effort in improving the operational and financial efficiency in all business units within the Group.

# Awards Received During the Year



## The Newspaper Society of Hong Kong

### Hong Kong News Awards 2003

- Best Business News Writing (Chinese)  
1st Runner-up
- Best Business News Reporting  
Merit
- Best News Writing (Chinese)  
Merit
- Best Young Reporter  
Merit
- Photographic Section (Features)  
Merit



## The Society of Publishers In Asia

### 2004 Awards For Editorial Excellence

- Excellence In Newspapers (Chinese Language)
  - Honourable Mention : Ming Pao Daily News
- Excellence In Reporting (Chinese Language)
  - Honourable Mention : Ming Pao Daily News
- Excellence In Business Reporting (Chinese Language)
  - Honourable Mention : Ming Pao Daily News
- Excellence In Reporting On The Environment (Chinese Language)
  - Winner: Ming Pao Weekly
  - Honourable Mention : Ming Pao Daily News
- Excellence In Feature Photography (Chinese Language)
  - Winner: Ming Pao Weekly
  - Honourable Mention : Ming Pao Daily News
- Excellence In Special Issue (Chinese Language)
  - Honourable Mention : Ming Pao Daily News
- Excellence In Magazines (Chinese Language)
  - Honourable Mention : Ming Pao Monthly
- Excellence In Feature Writing (Chinese Language)
  - Winner : Ming Pao Weekly
- Excellence In Human Rights Reporting (Chinese Language)
  - Honourable Mention : Ming Pao Weekly
- Excellence In Magazine Front Cover Design (Chinese Language)
  - Honourable Mention : Ming Pao Weekly

## The Hong Kong Journalists Association

### The Foreign Correspondents' Club

### Amnesty International Hong Kong Section

### The 9th Annual Human Rights Press Awards

- Photography
  - 5 Merits
- Newspaper Section  
Merit



## Graphic Arts Association of Hong Kong

### Hong Kong Publishing Professionals Society

### The 15th Hong Kong Print Awards

- Newspaper Printing  
Merit

### Society for News Design

### The 25th Best of Newspaper Design Competition

- A-Section Page Design  
Award of Excellence

### Consumer Council

### Consumer Rights Reporting Awards 2004

- Features  
Merit
- News  
Merit

### Superbrands Hong Kong

- Superbrands Hong Kong 2004

