



## OPERATION STATEMENT

### RESULTS

The Group recorded a turnover of HK\$2,024,323,000 for the year ended 31 March 2005, representing a decrease of approximately 0.4%. Before making provision for the loss on disposal of obsolete printing equipments and the relocation expenses of the Group's new headquarters totaling HK\$79,000,000, the Group recorded a profit of HK\$379,726,000. The audited consolidated profit attributable to shareholders amounted to HK\$300,726,000, representing a decrease of approximately 31.5%. The decrease in the Group's profit was mainly attributable to the rising production cost, the loss on disposal of obsolete printing equipments and the additional expenses for relocation to the Group's new headquarters.

### DIVIDENDS

The Directors recommend a final dividend of HK 7 cents (2004: a final dividend of HK 9 cents and a special dividend of HK 2 cents) per share for the year ended 31 March 2005, payable to the shareholders whose names appear on the Register of Members on 24 August 2005. Together with the interim dividend of HK 3.5 cents (2004: HK 3 cents) per share paid, the total dividend for the whole year amounted to HK10.5 cents (2004: HK14 cents) per share. The proposed final dividend will be payable on 29 August 2005.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18 August 2005 to 24 August 2005, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the final dividend proposed, all transfers accompanied by relevant share certificates must be deposited at the Company's share registrar, Friendly Registrars Limited, at G/F, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 17 August 2005.

### BUSINESS REVIEW

"**Oriental Daily News**" has remained the best-selling newspaper in Hong Kong over the past 29 years. Being renowned as the "Paper for Hong Kong", "Oriental Daily News" is actively committed itself towards continuous reforms in order to keep abreast of the prevailing market conditions to maintain its vitality and provide a wide diversity of information to its readers. In the local newspaper market, "Oriental Daily News" has the highest circulation and readership in Hong Kong. Leveraging on a reader spectrum spreading across all walks of life with the strongest spending power, "Oriental Daily News" has outnumbered the second best-selling newspaper by more than 100,000 copies in terms of the average daily circulation. In this regard,



## OPERATION STATEMENT

“Oriental Daily News” remains the favorite means of commodity promotion amongst advertising clients. During the year under review, under an increasingly promising local economy, dropping unemployment rate and reviving consumption sentiment, advertising clients were keener to promote their products through newspaper media. The persistently growing advertising volume of “Oriental Daily News” has fuelled a driving momentum for remarkable advertising revenue to the Group. The distribution network of “Oriental Daily News” in Mainland China has expanded to 22 locations, covering various major provinces and municipals, and its subscription volume also reported a breakthrough. In light of the increasingly frequent economic activities between Hong Kong and the Mainland and rising attention of the domestic residents on Hong Kong’s information, the circulation of “Oriental Daily News” has surged. With increased readership and widened reader spectrum, “Oriental Daily News” has displayed a proven record of far more significant and extensive promotional effects.

“The Sun” maintains its solid position as the third best-selling newspaper in Hong Kong. In these six years, “The Sun” has not only accumulated rich experience in newspaper business, but has also set a defined and clear positioning. Among the abundant pool of young readership of “The Sun”, there is no lack of young intellectuals who highly appreciate the latest updates and information provided by “The Sun”. The “Ancient and Modern Forum”, designated for discussion and analysis of politics, current affairs and on-the-time updates, introduced by “The Sun” is extremely popular among intellectual readers. In addition, during the year, an interactive section “The Sun readers’ opinion” was introduced to give an opportunity for readers to express their political opinions, thereby strengthening the political conscience of youngsters. Since its introduction, “The Sun readers’ opinion” has received overwhelming response from its readers, as demonstrated by the huge amount of readers’ letters. Also, “The Sun” has launched a number of campus campaigns in alliance with several school institutions with a view to further consolidating the youth market. Moreover, to achieve a higher advertising volume and a wider readership spectrum, “The Sun” has since last year changed to woodfree paper as cover page, creating a more eye-catching quality newspaper layout. The Group has experienced an increase in advertising income through successful absorption of quality cover-page advertisements. At the same time, the supplements relating to properties, medical issues and digital products introduced by “The Sun” were highly welcomed by its advertising clients. To cater for the consumption taste of the young new generation, “Enjoyment around the world”, another supplement containing information on culinary delights, shopping, travel, fashion and festival activities, has been added since April 2005. The refreshing image of “The Sun” after such a dual-track reform will help boost its advertising volume and readership to a certain extent. The distribution network of “The Sun” in Mainland China has expanded to 22 locations, covering various major provinces and municipals, and its subscription volume also reported a breakthrough. In light of increasingly frequent economic activities between Hong Kong and the Mainland and rising attention of the domestic residents on Hong Kong’s information, the



## OPERATION STATEMENT

circulation of “The Sun” has surged. With increased readership and widened reader spectrum, “The Sun” has demonstrated a significant and extensive promotional effects.

“The Sun Racing Journal”, since its publication in 1991, has been highly cherished by horse racing fans through the provision of rich horse racing information and building up of a good reputation amongst professional racing journals. During the year, “The Sun Racing Journal” has endeavored to keep its horse racing tips at a high rate of hits. To enhance the information on horses’ positioning, the performance results of each racing horse were increased from eight races to ten races. The color printing format on the horse racing day represents a perfect combination of an attractive layout and accurate tips. “The Sun Racing Journal” has established the most extensive racing database among similar publications, which is one of the most valuable assets of the Group.

“orisun.com” has registered an encouraging income growth. The total daily user session of its websites increased to over 600,000. With its advertising effectiveness enjoying substantial patronage amongst various kinds of industries, “orisun.com” has emerged as one of the most commonly used sales promotion platform among advertising clients, consolidating the development foundation of “orisun.com”. Among the websites of “orisun.com”, “orientaldaily.com.hk” and “the-sun.com.hk” are accessible free of charge. The Group has now been actively upgrading those contents and designs. Upon completion, the Group may consider to charging its viewers subscription fee to bring more revenue to the Group. During the year, “orisun.com” sold its contents to a number of large portals in Mainland China. The customer number in the Mainland is expected to be doubled in view of a huge domestic demand for Hong Kong current affairs, entertainment news and football information. The content sales business in Mainland China has tremendous development potential in light of the ever soaring customer number. Furthermore, to capture each and every business opportunity from the mobile platform, “orisun.com” adheres to its strategy of “stationing at Hong Kong and exploring into Greater China” and is now negotiating with a number of large telecommunication value-added service providers in the Mainland in connection with the provision of news, entertainment and fashionable trend information. At the same time, capitalizing on its substantial on-line resources and strong client bases, “orisun.com” is also in negotiation with other service providers for cooperation in distributing diversified mobile contents including games and photos. Through such cooperations, “orisun.com” will not only be capable of actively developing newly innovative information products, but will also generate greater income to the Group.

“Oriental Daily News © Paper” and “The Sun © Paper” have realized the goal of newspaper reading beyond national boundaries by providing online the exact replica of our newspapers. Currently, “Oriental Daily News © Paper” and “The Sun © Paper” will be updated 4:30 a.m. every morning, so as to achieve a timely delivery of the most updated information around the world and Mainland China. In addition, those e-papers are enlarging their subscription coverage



## OPERATION STATEMENT

on enterprise applications. Leading edge of a unique page-flipping technology, the number of individual subscribers increases constantly and users from the commercial sector have also indicated deep interest in including “Oriental Daily News © Paper” and “The Sun © Paper” into their media management solutions for higher administrative efficiency. Bulk subscription orders from enterprises will bring a more steady subscription income to “orisun.com”.

The Group has steadfastly dedicated itself to the community and charity services. During the year, the Group continued its support by sponsoring the daily administrative expenses of “Oriental Daily News Charitable Fund” and “The Sun Charitable Fund” and providing volunteer workers. In addition, the Group provides the charity activities of the two Funds with pages for reporting their bestowed cases, fund-raising events and other activities free of charge. On 26 December last year, the disastrous tsunami resulting from the powerful magnitude-nine earthquake in Indonesia caused hundreds of thousands of deaths and injuries in South Asia. Given the magnitude of the disaster, on the following day, the two Funds have promptly set up a specified donation account in order to accept donations for the disaster victims. As at 2 February 2005, a total donation of HK\$11,600,000 was transferred to six representative grantee institutions – Medecins Sans Frontieres, Hong Kong Red Cross, United Nations Children’s Funds, Oxfam, The Salvation Army and World Vision to provide the victims’ urgent and immediate needs. As at 31 March 2005, the accumulated number of donors of “Oriental Daily News Charitable Fund” amounted to 571,859 with a total donation of HK\$386,382,499. The funds amounting to HK\$377,490,540 have been allocated to 15,111 cases, benefiting 549,575 persons. Since its formation in 1999 up to 31 March 2005, the accumulated number of donors of “The Sun Charitable Fund” amounted to 23,441 with a total donation of HK\$14,461,501. A total of HK\$12,560,657 has been allocated to 2,164 cases, and 50,778 persons have benefited.

On overseas investment, the Group has achieved satisfactory results for its Australian hotel property and operations acquired in mid September 2004, which is anticipated to become a steady revenue source of the Group.

From 28 March this year, the Group’s headquarters has been relocated at Oriental Press Centre in Tai Po Industrial Estate, a complex incorporating its administrative office and printing factory. With a more comfortable working environment and advanced printing equipments, the Group is set to achieve significant improvement in overall operational efficiency and staff productivity.

### **BUSINESS OUTLOOK**

In the coming year, the soaring oil price will keep newsprint price rising, which will increase the running cost of the Group. Despite the increased cost, the Group will take steps to ensure sustainable growth in advertising income by pursuing a series of new business strategies.



## OPERATION STATEMENT

Through improved cost control and internal management, the increased production cost from high newsprint price may be offsetted.

It is believed that the local newspaper industry will continue to face the latent risk of high-cost operating environment. Weaker participants in the industry may possibly be faded out under tough competition. The Group is confident in taking advantage of the situation by developing new reader groups and advertisement sources on capitalizing potential of Group's two newspapers.

The local stock market and property transactions have regained increasing prosperity in pace with the gradually rebounding economy. Following the implementation of "Closer Economic Partnership Arrangement (CEPA)", returning factories and flourishing logistics industry have resulted in a greater demand for industrial and commercial lands. At the beginning of the year, the government land auction reported good performance. The recent high per square foot transaction price of the commercial land in Kowloon Bay in February this year brought positive effect to the value of the Group's Oriental News Building in Kowloon Bay. In view of the potential of the property, the Group may consider to hold it for leasing purpose to generate rental income. In respect of the old Tai Po factory, it is now being used for storing newsprint, and the Group may consider to dispose of the property when appropriate.

Another travel peak in Hong Kong associated with the opening of Hong Kong Disneyland in September this year is expected to cause consumer spending to boom, and will indirectly foster the growth of the Group's advertising business. The Group remains optimistic about the development prospect of the newspaper business, and believes that there is still room for both the circulation and advertising volume to grow. Looking ahead, the Group is optimistic towards another fruitful year after writing off the above-mentioned loss on disposal of obsolete printing equipments and the considerable expenses including relocation expenditure, and after taking into account of the savings of various administrative expenses following the relocation into the new headquarters.

### FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital at 31 March 2005 amounted to HK\$1,142,137,000 (2004: HK\$1,268,087,000), which includes time deposits, bank balances and cash amounting to HK\$770,806,000 (2004: HK\$1,167,371,000). The decrease in the working capital as compared with 2004 is mainly due to the expenditure incurred on the construction of Tai Po new headquarters, additions to printing equipments and relocation expenses.



## OPERATION STATEMENT

At 31 March 2005, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders' equity, was 3.1% (2004: 0.9%). The bank loan of HK\$79,037,000 is secured by a pledge of bank deposit of HK\$98,798,000.

During the year, the Group's capital expenditure was approximately HK\$448,672,000.

### CONTINGENT LIABILITY

At 31 March 2005, the Group has no material contingent liability.

### EMPLOYEES AND REMUNERATION POLICIES

At 31 March 2005, the Group employed 2,414 employees. Remuneration for employees including medical benefits is determined based on industry practice, the performance and working experience of the employees, and the current market conditions. The Group has implemented a training scheme to groom a new generation of journalists.

### EXPOSURE TO FOREIGN EXCHANGE

Since the revenue of the Group is mainly denominated in Hong Kong Dollars and the production cost is denominated in US and HK Dollars, the Group is therefore not exposed to any foreign currency exchange risk provided Hong Kong's pegged exchange rate system remains unchanged.

### AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

On behalf of the Board

**Ching-fat MA**  
*Chairman*

28 June 2005