



## Chairman's Statement

On behalf of the Board of Directors, it is my great pleasure to present the annual results of Ming Pao Enterprise Corporation Limited and its subsidiaries (the "Group") for the year ended 31st March 2006. This financial year was characterised by increasing costs and intensified competition in both the local and overseas markets, which continues to provide a challenging operating environment.

### Business Performance Review

Hong Kong's economy performed very well throughout the year of 2005. Both the property and the stock markets were vibrant while the rate of unemployment remained low. These positive conditions contributed to the high level of consumer confidence, increased spending and fuelled local advertising budgets upwards by 10% on average. Despite the intensified competition, the Group benefited from this strengthening of the advertising market and achieved a 9% growth in advertising revenue.

Two additional free daily newspapers emerged in the second half of the financial year. Together with the first free newspaper, they claimed a total daily circulation of over one million copies, a figure close to the total circulation of all paid newspapers. Surveys showed that the combined effect of free dailies on the advertising market was a share of 8%, which was close to the average market share of free newspapers in other countries. While the overall impact on paid newspapers was moderate, it was a trend that could not be ignored. On one hand, other paid newspapers have to improve their content and layout to retain their readers; on the other hand, free newspapers are now building up a reading habit for the younger readers which could be beneficial to the future of the print media industry. Our Ming Pao Daily News, however, has successfully endured the market competition with a stable circulation, thanks to our dedicated editorial team who continually enrich the content with new quality features and the responsive management team who implemented effective marketing strategies.

Meanwhile, the cost of newsprint steadily increased over the year, amidst a global trend of sharply rising prices for raw materials. Energy costs also increased substantially. Additional margin pressure was exerted through a resurgence in wage increases following years of deflation. The combination of these factors had an impact on the Group's bottom line.

The Group faced similar conditions in the North American market, where strong competition exists among various newspapers on both the east and the west coasts where the Group operates. A new Chinese daily newspaper was launched in Toronto in October last year and triggered competitive pricing. The retail price of the Toronto edition of Ming Pao Daily News was accordingly reduced for about three months to tackle this competition. The required diversion of management resources in Canada had a moderate impact on the operating results of the newly launched edition of Ming Pao Daily News in San Francisco. Nevertheless, the Group achieved an impressive double-digit growth in revenues from its North American operations that was mainly attributable to Canada's surging economy and booming real estate market. In order to ensure the success of the New York and San Francisco editions, we are pleased to bring additional experienced senior executives on board to further develop our business.

2005 was a milestone for our lifestyle magazine operation under One Media Group, as we successfully spun off and listed the shares in One Media Group on the Main Board of the Stock Exchange of Hong Kong on 18th October 2005. With fresh capital injected into One Media Group, this is the beginning of a new chapter of our lifestyle magazine operation in Mainland China. We believe the experience gained by One Media Group will significantly contribute to the Group's understanding of Mainland China's publication market.

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Business performance of the Group's remaining magazine publications and travel services improved within expectations. Yazhou Zhoukan became a wholly-owned subsidiary after the Group acquired its 50% equity interest from TOM Group in March 2006. The acquisition is expected to bring about commercial and operational synergy benefits to the Group in terms of a broader customer base, savings in production and other purchasing related operations.

### Newspapers in a Changing World

Last year I mentioned that globalisation presented unique challenge to all business operators, including Chinese media publishers. This year I must reiterate the importance of globalisation and add technology advancement as a new factor. Young people are spending less time reading newspapers and are receiving their news information on websites or via their cell phones. In order to re-capture the future generations, the New York Times joined efforts with Microsoft to launch a new online newspaper which generates a consumption experience close to traditional newspaper reading. This is but one of the many examples showing how established newspapers responded to the changes brought by technology advancement. Another example includes using SMS on cell phones to interact with newspaper publishing. The lesson for traditional newspapers was to keep changing and to integrate with other media platforms. The future of the media industry will be in the hands of those players who are able to adapt and utilise advanced technology on a global scale. The Group is committed to focusing its resources on all areas including technology so as to secure a dominant position in the media industry in the future.

Looking ahead, the next question is how to better utilise resources of the Group and its sister newspaper companies in Southeast Asia, to create synergies to better serve the global Chinese community. Content co-operation has already been established and additional joint efforts are

under consideration. Our mission of providing news publications to most Chinese communities on a global scale will soon be realised through the optimisation of resources and the combination with our online operations that target the younger generation.

We are fully aware of the challenges ahead that include rising operating costs, especially in the areas of newsprint and labour. Therefore, expenditure restraint will remain a primary focus of the Group's operation strategy. Our management team will remain vigilant regarding changes in the markets and the economies while making every effort to improve the operating units' efficiency and productivity to ensure that we remain competitive on every level.

### Awards and Appreciation

This year we won many important awards in a number of prestigious reporting and journalism competitions. These include two Gold Awards at the Ifra Asia Media Awards 2006, fourteen honours at the Awards for Editorial Excellence organised by the Society of Publishers in Asia and seven awards at the Hong Kong News Awards organised by The Newspaper Society of Hong Kong. We take immense pride in our work and are glad that our effort and hard work are recognised by these media organisations.

I would like to take this opportunity to express my sincere appreciation to all our staff for their continued hard work and valuable contribution in the past financial year. I would also like to thank our readers, customers, partners and shareholders for their continued confidence and support.

**Tan Sri Datuk TIONG Hiew King**

*Chairman*

Hong Kong, 30th June 2006