



## Operation Statement

### RESULTS

For the year ended 31 March 2007, the Group recorded a profit of HK\$263,022,000 before netting off the expenditure incurred for the newspaper promotion campaign of HK\$139,600,000. The audited consolidated profit attributable to shareholders amounted to HK\$123,068,000.

### DIVIDENDS

The Directors recommend a final dividend of HK4 cents (2006: HK 2 cents and a special dividend of HK 0.5 cent) per share for the year ended 31 March 2007, payable to the shareholders whose names appear on the Register of Members on 15 August 2007. Since the Directors have resolved not to pay interim dividend (2006: HK2.5 cents), the dividend for the year amounts to HK4 cents (2006: HK5 cents) per share. The proposed final dividend will be payable on 20 August 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 9 August 2007 to 15 August 2007, both days inclusive, during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend or to attend the Annual General Meeting of the Company to be held on 15 August 2007, all transfers accompanied with the relevant share certificates must be deposited at the Company's share registrar, Friendly Registrars Limited, whose address is 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:00 p.m. on 8 August 2007.

### BUSINESS REVIEW

The year saw "**Oriental Daily News**" remaining as the best-selling newspaper in Hong Kong for 31 consecutive years, living up to its reputation as "The Paper for Hong Kong". "Oriental Daily News" continues to be the largest source of revenue of the Group. During the year, the circulation and readership of "Oriental Daily News" remained stable, and made satisfactory contribution to the Group's revenue.

"**The Sun**", the third best-selling newspaper in Hong Kong, became the second best-selling newspaper on occasions during the promotion period from November 2005 through to June 2006. After the promotion campaign, "The Sun" has made significant progress both in its circulation and readership, and they have remained stable. During the year, the advertising revenue of "The Sun" recorded significant increase, and the confidence of the advertisers in the achievement of the promotion campaign of "The Sun" is the main reason for such increase. The two adjustments of retail price made in the year also translated into increased circulation revenue.

Formerly known as "orisun.com", "**on.cc**" is the Group's brand-new website officially launched in January 2007. Targeting the worldwide Chinese communities, the website offers "Breaking News", "World", "Video Channel", and "ireport" among other online products. "Breaking News" supplies our readers with round the clock professional news reporting. Our multimedia specials such as the "Cannes Film Festival" have been breaking page view records. To achieve our mission of "one network to reach all Chinese", "World", through first hand reports of our correspondents stationed in USA, Canada, Australia, Europe, Southeast



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Asia and other major cities, provides major regional news and news on worldwide Chinese communities. "Video Channel" is dedicated to providing entertainment and lifestyle contents. The "Oriental Entertainment Video Channel" is now available through the most extensive 3G mobile network in Hong Kong, and has become Hong Kong's most popular mobile entertainment video channel. Heralding the new genre of "Everybody a Reporter", "ireport" aims to provide the widest news coverage through in depth investigation by the Group's professional reporters on readers' reports. Since its launch, "on.cc" has received acclaims from readers and advertisers. Among our new products, "Money 18", with its live financial updates, has immediately become a top favorite of the stock investors in Greater China. With "Oriental Daily News Web", which pageview surged 40% over the last year, "on.cc" viewingship was a record high during the year. "on.cc" is now and remains a leading online provider of news and information to the Chinese community around the world.

The revamp of "on.cc" has created a phenomenal momentum reflected in the noticeable increase in advertising revenue. Our new products have proved to be effective in attracting and serving the increasingly diversified advertisers, consolidating our leadership position. In content sales, "on.cc" continues to provide news contents and multi-media information to numerous clients, including two major mainland portals and mobile network operators in Hong Kong. Subscription to our original "Oriental Daily News © Paper" and "The Sun © Paper" remain satisfactory, contributing to the Group's overall income.

On overseas investments, the Group's hotel and shopping centre investments in Australia have proved to be a stable source of income to the Group.

### **BUSINESS OUTLOOK**

Looking forward to the future, it is believed that the Group's operating results will continue to be affected by the persistently high prices of crude oil and newsprint, with "Oriental Daily News" and "The Sun" in the aggregate account for about 60% of the circulation and readership of Chinese newspapers in Hong Kong, the Group is well poised to take up an even bigger share of the advertising market thereby enhancing the profit of the Group. Further, when the retail price of "The Sun" reverts to its original price of HK\$6, circulation revenue will improve and as promotional expenditure drops, profits of the Group will also improve. On the other hand, the stable growth on subscription on the Mainland is also favourable for widening the spectrum of our readership and in turn the attractiveness of our papers to advertisers.

As regards the "on-line business", "on.cc" will actively explore the market leading new media business. To harness the booming online advertising market, "on.cc" will continue to strengthen its contents. With the synergistic and cost-effective sources of news and information provided through the cooperation of the Group's elite news teams, "on.cc" will endeavor to develop "exclusive online contents". Through both online and mobile platforms, "on.cc" will seek to provide viewers with instantaneous, exclusive, more diversified and interactive news contents and information, including quality video programs, series of news specials and financial updates. In view of the imminent development of the integration of the three media platforms, namely mobile, internet and TV, "on.cc" is expanding its scope and capacity in the video production to develop 3G mobile TV and IPTV in Greater China and Southeast Asia to ensure speedy development of the Group's "on-line business". To consolidate a blueprint for future development, "on.cc" has made available resources for setting up of the required hardware, network facilities and manpower. The Group is confident of the development of "on.cc", and believes that "on.cc" will, through its on-line business, continue providing the Group with steady revenue. Overall, the Group is optimistic of this prospect.



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Leasing of “Oriental News Building” in Kowloon Bay is satisfactory and continues to generate steady rental return to the Group. If acceptable purchase offer is made, the Group will consider to dispose of this property.

In the meantime, the Group is reviewing the performance of its overseas investments. If return is satisfactory, the Group may consider disposing of some of the investments to increase profits to the Group. The Group will continue to explore for more quality investments to diversify its business and bring about better return to our shareholders.

### **FINANCIAL RESOURCES AND LIQUIDITY**

The Group always maintains a strong liquidity. The working capital at 31 March 2007 amounted to HK\$1,339,918,000 (2006: HK\$1,229,419,000), which includes time deposits, bank balances and cash amounting to HK\$1,096,502,000 (2006: HK\$996,801,000).

At 31 March 2007, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 3.4% (2006: 3.1%). The bank loan of HK\$82,519,000 is secured by a pledge of bank deposit of HK\$107,277,000.

During the year, the Group’s capital expenditure was approximately HK\$17,511,000.

### **CONTINGENT LIABILITY**

At 31 March 2007, the Group has no material contingent liability.

### **EMPLOYEES AND REMUNERATION POLICIES**

At 31 March 2007, the Group employed 2,337 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 Hong Kong Dollars, the Group is therefore not exposed to any foreign currency exchange risk provided Hong Kong’s pegged exchange rate system remains unchanged.

### **CORPORATE GOVERNANCE**

The Company has complied, throughout the financial year, with the code provision set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules, except that independent non-executive directors of the Company were not appointed for a specific term, but are subject to retirement by rotation in accordance with the article of the Company’s Articles of Association.



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### **AUDIT COMMITTEE**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2007 with the management. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2007 have been agreed by the Group's auditors, Grant Thornton, to the amounts set out in the Group's consolidated financial statements for the year.

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiries by the Company, all Directors have confirmed that they have achieved full compliance with the required standards as laid down in the Model Code for the year ended 31 March 2007.

### **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*

29 June 2007