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東方報業集團有限公司

ORIENTAL PRESS GROUP LTD

(Incorporated in Hong Kong with limited liability)

(Stock Code: 18)

Announcement of results for the year ended 31 March 2017

The board of directors of Oriental Press Group Limited (the “Board”) announces that the audited consolidated results of Oriental Press Group Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the year ended 31 March 2017 are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	3	1,000,303	1,181,233
Other income	3	48,468	41,542
Raw materials and consumables used		(179,868)	(228,867)
Staff costs including directors' emoluments		(562,445)	(729,281)
Depreciation		(58,081)	(68,781)
Other operating expenses		(118,000)	(144,063)
Fair value adjustments on investment properties		74,664	12,827
Net exchange gain		1,857	27
Net gain on disposal of trademark		-	1,790
Net gain/(loss) on disposal and write-off of property, plant and equipment		482	(1,173)
Profit from operations	5	207,380	65,254
Finance costs	6	(278)	(262)
Profit before tax		207,102	64,992
Income tax expense	7	(40,762)	(9,671)
Profit for the year		166,340	55,321
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
- Exchange gain/(loss) on translation of financial statements of foreign operations		1,443	(2,109)
Other comprehensive income/(expenses) for the year, net of tax		1,443	(2,109)
Total comprehensive income for the year		167,783	53,212

	Notes	2017 HK\$'000	2016 HK\$'000
Profit for the year attributable to:			
Owners of the Company	9	163,889	54,612
Non-controlling interests		2,451	709
		166,340	55,321
Total comprehensive income attributable to:			
Owners of the Company		165,277	52,482
Non-controlling interests		2,506	730
		167,783	53,212
Earnings per share			
- Basic	9	HK6.83 cents	HK2.28 cents
- Diluted		HK6.83 cents	HK2.28 cents

Consolidated Statement of Financial Position
As at 31 March 2017

	Notes	31.03.2017 HK\$'000	31.03.2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		518,156	584,522
Leasehold land		23,632	24,420
Investment properties		322,987	222,758
Available-for-sale financial asset		4,745	4,745
Deferred tax assets		12,877	27,125
		882,397	863,570
Current assets			
Inventories	10	57,770	50,871
Trade receivables	11	119,403	167,875
Loan receivables	12	18,750	-
Other debtors, deposits and prepayments		18,704	16,318
Taxation recoverable		5,530	9,884
Cash and bank balances		1,575,157	1,735,602
		1,795,314	1,980,550
Current liabilities			
Trade payables	13	19,282	19,820
Other creditors, accruals and deposits received		71,018	108,052
Taxation payable		11,365	670
Borrowings	14	9,469	7,963
		111,134	136,505
Net current assets		1,684,180	1,844,045
Total assets less current liabilities		2,566,577	2,707,615
Non-current liabilities			
Borrowings	14	1,824	3,859
Deferred tax liabilities		67,883	62,940
		69,707	66,799
Net assets		2,496,870	2,640,816
EQUITY			
Equity attributable to owners of the Company			
Share capital		1,413,964	1,413,964
Reserves		1,077,094	1,223,546
		2,491,058	2,637,510
Non-controlling interests		5,812	3,306
Total equity		2,496,870	2,640,816

Consolidated Statement of Changes in Equity For the year ended 31 March 2017

	Equity attributable to owners of the Company							Total equity HK\$'000
	Share capital HK\$'000	Exchange reserve HK\$'000 (Note)	Properties revaluation reserve HK\$'000 (Note)	Retained profits HK\$'000 (Note)	Proposed dividend HK\$'000 (Note)	Total HK\$'000	Non-controlling interests HK\$'000	
At 1 April 2015 (Restated)	1,413,964	22,567	9,700	1,162,776	47,958	2,656,965	2,576	2,659,541
2015 final dividend paid	-	-	-	-	(47,958)	(47,958)	-	(47,958)
2016 interim dividend paid	-	-	-	(23,979)	-	(23,979)	-	(23,979)
Transactions with owners	-	-	-	(23,979)	(47,958)	(71,937)	-	(71,937)
Profit for the year	-	-	-	54,612	-	54,612	709	55,321
Other comprehensive income								
-Exchange (loss)/profit on translation of financial statements of foreign operations	-	(2,130)	-	-	-	(2,130)	21	(2,109)
Total comprehensive income for the year	-	(2,130)	-	54,612	-	52,482	730	53,212
At 31 March 2016 and 1 April 2016	1,413,964	20,437	9,700	1,193,409	-	2,637,510	3,306	2,640,816
2016 final dividend paid	-	-	-	(23,979)	-	(23,979)	-	(23,979)
2016 special dividend paid	-	-	-	(47,958)	-	(47,958)	-	(47,958)
2017 interim dividend paid	-	-	-	(47,958)	-	(47,958)	-	(47,958)
2017 special dividend paid	-	-	-	(191,834)	-	(191,834)	-	(191,834)
Transactions with owners	-	-	-	(311,729)	-	(311,729)	-	(311,729)
Profit for the year	-	-	-	163,889	-	163,889	2,451	166,340
Other comprehensive income								
-Exchange profit on translation of financial statements of foreign operations	-	1,388	-	-	-	1,388	55	1,443
Total comprehensive income for the year	-	1,388	-	163,889	-	165,277	2,506	167,783
At 31 March 2017	1,413,964	21,825	9,700	1,045,569	-	2,491,058	5,812	2,496,870

Notes: These reserve accounts comprise the consolidated reserves of HK\$1,077,094,000 (2016: HK\$1,223,546,000) in the consolidated statement of financial position of the Group.

**Notes to the Financial Statements
For the year ended 31 March 2017**

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The financial information relating to the years ended 31 March 2017 and 2016 included in this preliminary annual results announcement do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 March 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31 March 2017 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements comply with the applicable disclosure requirements of the Companies Ordinance (Cap. 622) and the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. APPLICATION OF NEW OR AMENDED HKFRSs

In the current year, the Group has adopted the following new or revised standards and amendments issued by the HKICPA, which are or have become effective for the Group's financial year beginning on 1 April 2016.

HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interest in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The adoption of the new or amended HKFRSs has had no material effect on the Group's financial performance and position for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and have not been adopted in these consolidated financial statements as follows:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions ²
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ²
HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ²
HKFRS 16	Lease ³
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle ⁵
HKAS 7 (Amendments)	Disclosure Initiative ¹
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses ¹
HKAS 40 (Amendments)	Transfers of Investment Property ²
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ²

Notes:

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The Group is in the process of making an assessment of what the impact of these new and amended HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

3. REVENUE

Revenue from the Group's principal activities represents total invoiced value of goods supplied, lease income from operating leases and income from provision of services. Revenue recognised during the year is as follows:

	2017 HK\$'000	2016 HK\$'000
Publication of newspapers	871,205	1,082,500
Internet subscription and advertising income	106,753	73,867
Rental income from investment properties	7,197	8,609
License fee income from hotel property	6,811	5,701
Income from restaurant operation	8,337	10,556
	1,000,303	1,181,233
	2017 HK\$'000	2016 HK\$'000
Included in other income are:		
Interest earned on bank deposits	8,377	12,145
Interest earned on loan receivables	1,060	-
Sales of scrap materials	2,936	4,047
Over-provision of long service payments	9,066	-

4. SEGMENT INFORMATION

Based on the regular internal financial information reported to the executive directors of the Company, being the chief operating decision makers, for their decision about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one reportable operating segment, the publication of newspapers, including internet subscription and relevant advertising income. The revenue of other operating segments include rental income from investment properties, license fee income from hotel property and income from restaurant operation.

Reportable segment revenue represented turnover of the Group in the consolidated statement of profit or loss and other comprehensive income. Segment profit or loss represents the profit earned by or loss from each segment without allocation of directors' emoluments, net exchange gain or loss, interest income, sundry income and finance costs. Reconciliation between the reportable segment profit or loss to the Group's profit before tax is presented below:

	Publication of newspapers		All other segments		Total	
	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment revenue from external customers	977,958	1,156,367	22,345	24,866	1,000,303	1,181,233
Reportable segment profit	139,783	55,841	75,779	15,786	215,562	71,627
Unallocated corporate income					29,593	31,504
Unallocated corporate expenses					(38,053)	(38,139)
Profit before tax					207,102	64,992
<i>Other information</i>						
Depreciation and amortisation	(57,924)	(68,870)	(945)	(699)	(58,869)	(69,569)
Fair value adjustments on investment properties	-	-	74,664	12,827	74,664	12,827
Additions to non-current assets (property, plant and equipment and investment properties) during the year	4,542	10,056	24,290	2,243	28,832	12,299

Reportable segment assets and liabilities

	Publication of newspapers		All other segments		Unallocated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS								
Segment assets	766,605	861,307	331,204	242,466	-	-	1,097,809	1,103,773
Available-for-sale financial asset	-	-	-	-	4,745	4,745	4,745	4,745
Cash and bank balances	-	-	-	-	1,575,157	1,735,602	1,575,157	1,735,602
Consolidated total assets	766,605	861,307	331,204	242,466	1,579,902	1,740,347	2,677,711	2,844,120
LIABILITIES								
Segment liabilities	136,163	183,291	44,678	20,013	-	-	180,841	203,304

The Group's revenue from external customers and its non-current assets (other than the financial asset and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers		Non-current assets	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Hong Kong (country of domicile)	986,295	1,166,923	537,237	603,001
Australia	14,008	14,310	327,538	228,699
	1,000,303	1,181,233	864,775	831,700

The geographical location of customers is determined based on the location in which the services were provided or the goods delivered. The geographical location of the non-current assets (other than the financial asset and deferred tax assets) is determined based on the physical location of the assets. For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets (other than financial asset and deferred tax assets), country of domicile is determined by reference to the country where the majority business activities of the Company's subsidiaries operate.

During the year, HK\$411,144,000 (2016: HK\$452,393,000) out of the Group's revenue of HK\$1,000,303,000 (2016: HK\$1,181,233,000) was contributed by two (2016: two) customers. No other single customers contributed 10% or more to the Group's revenue for both 2017 and 2016.

5. PROFIT FROM OPERATIONS

	2017 HK\$'000	2016 HK\$'000
Profit from operations is arrived at after charging/(crediting):		
Auditor's remuneration	1,061	1,071
Cost of inventories recognised as expense	179,868	228,867
Impairment losses on trade receivables	691	1,432
Depreciation:		
- Owned assets	55,981	66,122
- Leased assets	2,100	2,659
Amortisation of leasehold land	788	788
Net exchange gain	(1,857)	(27)
Net gain on disposal of trademark	-	(1,790)
Net (gain)/loss on disposal and write off of property, plant and equipment	(482)	1,173
Operating lease charges in respect of buildings	2,374	4,748
Rental income from investment properties (excluding hotel property)	(7,197)	(8,609)
Less: Outgoings associated with rental income	1,073	882
Rental income from investment properties (excluding hotel property) less outgoings	(6,124)	(7,727)

6. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest charges on borrowings:		
Other loan	256	228
Finance leases	22	34
	278	262

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2017 HK\$'000	2016 HK\$'000
Current tax		
- Hong Kong Profits Tax	21,365	11,435
- Overseas Income Tax	622	578
	21,987	12,013
Under provision in prior year:		
- Hong Kong	-	3
Deferred taxation		
- Current year	18,775	(2,345)
	40,762	9,671

8. DIVIDENDS

(a) Dividends attributable to the year

	2017 HK\$'000	2016 HK\$'000
Interim dividend paid		
HK2 cents (2016: HK1 cent) per share	47,958	23,979
Special dividend paid		
HK8 cents per share (2016: Nil)	191,834	-
Proposed final dividend		
HK4 cents (2016: HK1 cent) per share	95,916	23,979
Proposed special dividend		
HK2 cents (2016: HK2 cents) per share	47,958	47,958
	383,666	95,916

A final dividend of HK4 cents (2016: HK1 cent) per share and special dividend of HK2 cents (2016: HK2 cents) per share have been proposed by the Board and are subject to the approval by the shareholders in the forthcoming annual general meeting.

(b) Dividends recognised as distributions during the year

	2017	2016
	HK\$'000	HK\$'000
2015 Final dividend	-	47,958
2016 Interim dividend	-	23,979
2016 Final dividend	23,979	-
2016 Special dividend	47,958	-
2017 Interim dividend	47,958	-
2017 Special dividend	191,834	-
	311,729	71,937

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of HK\$163,889,000 (2016: HK\$54,612,000) and on 2,397,917,898 (2016: 2,397,917,898) ordinary shares in issue during the year.

For the year ended 31 March 2017 and 2016, diluted earnings per share was the same as the basic earnings per share as there were no potential ordinary shares in issue for both years.

10. INVENTORIES

	2017	2016
	HK\$'000	HK\$'000
Newsprint and printing materials	42,321	34,535
Spare parts and supplies	13,817	14,329
Others	1,632	2,007
	57,770	50,871

11. TRADE RECEIVABLES

	2017	2016
	HK\$'000	HK\$'000
Trade receivables	122,939	172,046
Less: Allowance for doubtful debts	(3,536)	(4,171)
	119,403	167,875

The Group allows an average credit of 90 days to its trade customers and no interest is charged. All trade receivables are denominated in Hong Kong Dollars which is the functional currency of the group entities to which these balances relate.

The following is an aging analysis of trade receivables after deducting the allowance for doubtful debts presented based on invoice dates at the end of the reporting period:

	2017	2016
	HK\$'000	HK\$'000
0 – 60 days	56,316	70,854
61 – 90 days	21,168	30,634
Over 90 days	41,919	66,387
	119,403	167,875

12. LOAN RECEIVABLES

The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk. The grants of these loans were approved and monitored by the Group's management, whilst overdue balances are reviewed regularly for recoverability. Loan receivables bear interest at rates ranging from 7.0% per annum to 7.2% per annum (31 March 2016: Nil), mutually agreed between the contracting parties and repayable within one year.

At 31 March 2017, all loan receivables were secured by the properties in Hong Kong.

The fair values of the Group's loan receivables at the end of the reporting period are determined based on the present value of the estimate future cash flows discounted using the prevailing market rate at the end of each reporting period. The fair values of the Group's loan receivables approximate to the corresponding carrying amounts of the loan receivables.

Loan receivables as at the end of the reporting period were neither past due nor impaired. The loan receivables have been reviewed by the directors of the Company to assess impairment which are based on the evaluation of collectability, aging analysis of accounts and on their judgement, including the current creditworthiness and the past collection statistics, the directors of the Company consider that no impairment is required to be provided during the year.

13. TRADE PAYABLES

The credit period granted by the Group's suppliers ranges from 30 to 90 days. Based on the invoice dates, the aging analysis of trade payables at the end of the reporting period is as follows:

	2017	2016
	HK\$'000	HK\$'000
0 – 60 days	16,558	17,712
61 – 90 days	796	873
Over 90 days	1,928	1,235
	19,282	19,820

14. BORROWINGS

	2017 HK\$'000	2016 HK\$'000
Borrowings wholly repayable within five years:		
- Other loan	7,434	5,940
- Obligations under finance leases	3,859	5,882
	11,293	11,822
Less: Current portion due within one year included under current liabilities		
- Other loan	7,434	5,940
- Obligations under finance leases	2,035	2,023
	9,469	7,963
Non-current portion included under non-current liabilities		
- Obligations under finance leases	1,824	3,859

At 31 March 2017 and 2016, other loan denominated in Australian Dollars was made by a non-controlling shareholder of a subsidiary of the Company, unsecured, bearing interest at 4% per annum and repayable on demand.

The carrying amounts of borrowings approximate their fair value.

The analysis of the obligations under finance leases is as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Obligation under finance leases:				
Due within one year	2,045	2,045	2,035	2,023
Due in the second to fifth year	1,825	3,870	1,824	3,859
	3,870	5,915	3,859	5,882
Less: Future finance charges on finance leases	(11)	(33)		
Present value of lease obligations	3,859	5,882		
Less: Amount due for settlement within one year included under current liabilities			(2,035)	(2,023)
Amount due for settlement in the second to the fifth year included under non-current liabilities			1,824	3,859

The Group has entered into finance leases for certain plant, machinery and printing equipment. The leases run for a period of five years and do not have an option to renew the lease terms. All leases are on a fixed repayment basis and no arrangements have been entered into for any contingent rental provisions. Under the terms of lease, the Group has the option to purchase the leased assets at a price that is expected to be sufficiently lower than the fair value of the leased asset at the end of the lease.

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets and are all denominated in Hong Kong Dollars.

RESULTS

For the year ended 31 March 2017 (the “Reporting Year”), the audited consolidated profit attributable to owners of Oriental Press Group Limited (the “Company”) amounted to HK\$163,889,000. As compared to the same period last year, the profit increased HK\$109,277,000 representing a rise of 200%, which was mainly due to the effective implementation of various cost-saving measures and the increase in valuations of the Group’s Australian investment properties.

DIVIDENDS

The directors of the Company (the “Director(s)”) recommend a final dividend of HK4 cents (2016: HK1 cent) per share of the Company (the “Share(s)”) and special dividend of HK2 cents (2016: HK2 cents) per Share for the Reporting Year, payable to the shareholders of the Company (the “Shareholder(s)”) whose names appear on the Register of Members of the Company on 22 August 2017. Together with the paid interim dividend of HK2 cents (2016: HK1 cent) per Share and special dividend of HK8 cents per Share (2016: Nil), the dividends for the year amount to HK16 cents (2016: HK4 cents) per Share. The proposed final dividend and special dividend will be payable on or around 4 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 10 August 2017 to 16 August 2017 (both days inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending the annual general meeting of the Company (“AGM”) to be held on 16 August 2017 and voting in the meeting, all transfers accompanied with the relevant Share certificates must be deposited with the Company’s Share registrar, Tricor Friendly Limited, whose address is at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on 9 August 2017.

Subject to Shareholders’ approval at the AGM, the proposed final dividend and special dividend will be distributed to the Shareholders whose names appear on the Register of Members of the Company on 22 August 2017. The Register of Members of the Company will be closed on 22 August 2017. In order to qualify for payment of the recommended final dividend and special dividend, all transfers accompanied with the relevant Share certificates must be deposited with the Company’s Share registrar, Tricor Friendly Limited, whose address is at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on 21 August 2017.

COMMENTARY

“**Oriental Daily News**” continues to be the best-selling and most widely read newspaper in Hong Kong, and has been so for the last 41 consecutive years. It is truly “The Paper for Hong Kong”. During the Reporting Year, “Oriental Daily News” far exceeded its competitors in terms of both distribution and advertisement, reinforcing its leading position in the industry. With highly authoritative news reports and commentary articles, “Oriental Daily News” played the role of the Fourth Estate in monitoring the government, and capitalised on consensus to improve people’s livelihood, drawing extensive praises. The sales of “Oriental Daily News” remained unaffected despite the increase of its retail price to HK\$8 from 19 February 2017, generating more revenue from distribution for the Group.

“**on.cc**”, the flagship online portal of the Group, is also the news portal with the largest number of page views and the longest time of viewing in Hong Kong, of up to 5.59 million monthly unique visitors and more than 6.8 million downloads of mobile applications. “on.cc” provides fast and detail news, covering a variety of topics. During the Reporting Year, “on.cc” launched the mobile version of its website to better cater for the need of mobile platform users to access to real-time news. In December 2016, “on.cc Superstar”, an entertainment information mobile application, was integrated into the entertainment column of “on.cc”, enriching the contents of “on.cc”. In January 2017, “on.cc” included a 360-degree panoramic function to capture live shows, bringing epoch-making all-round experience in news and information. “Racecourse Boss”, which was launched by “on.cc”, provides netizens with information on horse racing and analytic data, and it has become one of the most popular horse racing mobile applications in Hong Kong, with the number of users and its income growing continuously. For years, “on.cc” has been partnering with international search engines and social platforms such as Google, Yahoo, and Facebook. Numerous news stories reported by “on.cc” widely circulated on the Internet and social networks, while the page views and audience have kept reaching record highs, thereby further extending the reach of “on.cc”.

“ontv”, an online television, provides real-time news videos on a 24-hour basis. With a view to expanding its market and achieving further penetration of users, “ontv” produced diversified programmes during the Reporting Year. Of these, current affairs programmes “Wong’s Commentaries” (阿王辣爆) and “Kong Gu” (港·故) gave rise to enthusiastic discussions. In addition, “ontv” joined hands with Facebook, a social platform, to broadcast major events synchronically, including the Legislative Council Election, the Mini-storage Fire, the Imprisonment of Donald Tsang, the Legislative Council Oath-taking Controversy and the MTR Arson Attack, providing netizens with detail first-hand news. As a forerunner of online television in Hong Kong, “ontv” pioneers live online broadcasting of sports events including football, basketball, boxing and ice hockey games. “ontv” is also the first online television to obtain authorisation from The Hong Kong Jockey Club to make live report on Mark Six. It has also been authorised by the Hong Kong Football Association to live-broadcast “Hong Kong Premier League” for two consecutive years, marking a new milestone for new media.

With its real-time stock quote and 24-hour global news coverage which transcends distance, “Money18” is one of the financial information websites with the highest page views in Hong Kong. The number of downloads of the Android application of “Money18” at Google’s Play Store exceeded 1 million, making it one of the few financial mobile applications which recorded 1 million downloads. Taking into account the downloads on other platforms, the number of downloads of “Money18” exceeded 1.7 million, demonstrating the popularity and market leadership of the application. Following the “Shanghai-Hong Kong Stock Connect”, “Shenzhen-Hong Kong Stock Connect” was launched in December 2016. “Money18” added two dedicated sections, namely “Shenzhen Stock Connect” (深股通) and “Hong Kong Stock Connect (Shenzhen)” (港股通(深)), to provide real-time quote, news and analysis of the stock markets of Hong Kong and Shenzhen, with a view to help investors with timely opportunities.

The Group generates its revenue mainly from newspaper publishing. During the Reporting Year, given the lingering uncertainties in the global economy, and the impact on the local consumer market resulted from the depreciation of Renminbi and the decrease in the number of Mainland visitors, customers had reduced their advertising budgets to cope with the weakness in the consumer market. The Group was unable to make any significant breakthrough in its turnover as the advertisements for high-end consumer goods including properties and financial investment has noticeably because of the property cooling measures taken by the government and the weakening investor sentiment. Separately, as advertising income kept flowing to other new media, despite the Group’s proper cost control and the satisfactory growth of distribution revenue of “Oriental Daily News”, the overall revenue from the printed media business decreased to HK\$871,205,000, representing a decline of approximately 19% as compared with the same period of last Reporting Year. With a view to minimizing such risks, the Group had taken steps to enhance the resilience of “Oriental Daily News” in the market by undertaking cost control measures and adjusting its investment strategies and allocation of resources. To compensate for the stagnancy in the business of traditional printed news media, the Group’s new media witnessed outstanding development. As the online advertising technology becomes increasingly sophisticated, online advertising has become the most popular choice for advertisers. The overall revenue of relevant business for this Reporting Year rose to HK\$106,753,000, representing an increase of approximately 44% as compared with the same period last Reporting Year. To sum up, the performance of the Group’s publishing business was fairly satisfactory. In acknowledgement of the employees’ efforts in the past year, the Group paid special bonus in the sum of approximately HK\$17,371,000 during the Reporting Year.

In relation to the Group’s overseas investments, each of the Group’s rental properties overseas recorded satisfactory return, and has been generating steady rental income. With the completion of the fitting-out works for Metro Aspire Hotel Sydney in early 2017, the project will generate additional license fee income of AUD700,000 for the Group each year. Therefore, license fee income from hotel property rose by 70% as compared with the same period last year. During the Reporting Year, the valuations in the Group’s Australian investment properties in average increased by 44% as compared with the same period last year, making a substantial rise to HK\$74,664,000 in Group’s fair value adjustments on investment properties.

The money lending business has been generating steady interest income for the Group since its launch last year. The loan interest income amounted to HK\$1,060,000 during the Reporting Year, representing a rate of return of approximately 5.6%, with no bad debts recorded. The money lending business has helped the Group to diversify its business successfully.

BUSINESS OUTLOOK

Though the Group is currently facing the challenge posed by the change in the model of the advertising market, the Board believes that with “Oriental Daily News” being the best-selling newspaper in Hong Kong and “on.cc” having the highest page views in Hong Kong, the Group is able to manage this risk. It is expected that the global political unrest will continue, weighing down economic development. However, quality news and information are particularly important and valuable given the complex and ever-changing global political structure. The Group will capitalise on the reputation and influence of “Oriental Daily News” and “on.cc” to take up greater market shares. The Group will use a cross-platform model to lock on customers’ advertising budgets and provide customers with different types of advertising plans. On the other hand, production costs including newsprint and printing ink are expected to rise to a certain extent in the coming year. The Group will take measures including restructure and resources allocation to control costs and increase its operating efficiency.

In line with the new trends of the media in the future, the Group will continue to focus on the development of “on.cc” and “ontv”. In addition to researching and developing different types of advertisements in the new media, the Group will utilise new technologies extensively to expand into other digital businesses, with a view to expanding its product portfolio and increasing its revenue. The Board believes that online television will have unlimited room for development. In addition to providing netizens with live news and sports events, “ontv”, with its potential and strength, will produce a larger number of diversified programmes and explore opportunities to cooperate with customers. It is believed that the Company will be able to make some significant breakthroughs in the year ahead.

The market demand for mortgage loans has been strong as the property market of Hong Kong has kept setting record highs in recent years. The Group will continue to select quality customers based on a prudent principle, so as to balance risks while seeking high returns. The Group will consider partnering with intermediaries of excellent credit standing to expand the portfolio of the money lending business.

The Group is actively researching for additional investment projects in real estate or hotels, with a view to further diversifying its business. The Board will continue to exercise a cautious approach to the Group’s performance in the next year.

FINANCIAL RESOURCES AND LIQUIDITY

The Group always maintains a strong liquidity. The working capital as at 31 March 2017 amounted to approximately HK\$1,684,180,000 (2016: HK\$1,844,045,000), which includes time deposits, bank balances and cash amounting to approximately HK\$1,575,157,000 (2016: HK\$1,735,602,000). As at 31 March 2017, the Group’s gearing ratio, measured on the basis of total borrowings as a percentage of total shareholders’ equity, was 0.4% (2016: 0.4%).

During the Reporting Year, the Group’s capital expenditure was approximately HK\$28,832,000 (2016: HK\$12,299,000).

CONTINGENT LIABILITY

As at 31 March 2017, the Group had no material contingent liability.

EXPOSURE TO FOREIGN EXCHANGE

The Group mainly operates in Hong Kong and most of the Group’s transactions are denominated in Hong Kong Dollars. The Group is exposed to foreign currency risk on transaction that is in a currency other than the respective functional currency of the Group entities. The currency giving rise to this risk is primarily Australian Dollars. Currently, the Group does not have foreign currency hedging policy, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure where appropriate.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed 1,548 employees (2016: 1,667). Remuneration for employees including medical benefits is determined based on industry practice, the performance and working experience of the employees, and the prevailing market conditions. The Group has implemented a training scheme to groom a new generation of journalists.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules on the Stock Exchange throughout the Reporting Year. The Company has adopted most of the recommended best practices stated therein.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and the annual results for the Reporting Year with the management. The figures in the preliminary announcement of the Group's results for the Reporting Year have been agreed by the Group's auditors, HLM CPA Limited.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 on the Stock Exchange as the Company's Model Code for Directors' securities transactions.

Following specific enquiries by the Company, all Directors have confirmed in writing their compliance with the required standards set out in the Model Code during the Reporting Year.

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

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

PUBLICATION OF ANNUAL REPORT

The 2017 annual report of the Company will be dispatched to the Shareholders and published on the websites of the Company and the Stock Exchange in due course.

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Wednesday, 16 August 2017 and the Notice of AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

On behalf of the Board
Ching-fat MA
Chairman

Hong Kong, 23 June 2017

As at the date hereof, the Board comprises seven directors, of which three are executive directors, namely Mr. Ching-fat MA (Chairman), Mr. Ching-choi MA (Vice Chairman) and Mr. Shun-chuen LAM (Chief Executive Officer), one non-executive director, namely Mr. Dominic LAI and three independent non-executive directors, namely Mr. Yau-nam CHAM, Mr. Ping-wing PAO and Mr. Yat-fai LAM.