

Notes to the Financial Statements

For the year ended 31 March 2001

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. Its ultimate holding company is Ever Holdings Limited, a private limited company incorporated in the British Virgin Islands.

The Company acts as an investment holding company and provides corporate management services. The activities of its principal subsidiaries and associates are set out in notes 14 and 15 respectively.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of land and buildings.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

Revenue recognition

- (a) Revenue from sales of newspapers and magazines, net of allowance for estimated future returns, to distributor or customers is recognised when the products are delivered and title has passed.
- (b) Advertising income is recognised when the relevant advertisement is published.
- (c) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.
- (d) Interest income is accrued on a time basis by reference to the principal outstanding and at the rates applicable.

Interests in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost, as reduced by any decline in the value of the subsidiaries that is other than temporary. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the year.

Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in the financial and operating policy decisions.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is provided to write off the cost or valuation of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

<u>Type</u>	<u>Basis</u>
Leasehold land	Over the term of the lease
Buildings	2% - 3%
Plant, machinery and printing equipment	5% - 25%
Furniture, fixtures and equipment	20% - 25%
Motor vehicles	25%

Assets held under hire purchase contracts are depreciated over their expected useful lives on the same basis as owned assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Foreign currencies

Transactions in currencies other than Hong Kong Dollars are translated into Hong Kong Dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong Dollars are re-translated into Hong Kong Dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are dealt with in the exchange reserve in equity and recognised as income or as expenses in the period in which the operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are expensed in the period in which they are incurred.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Assets held under hire purchase contracts

Assets held under hire purchase contracts are capitalised at their fair values at the date of acquisition. The corresponding liability to the hirer, net of interest charges, is included in the balance sheet as a hire purchase obligation. Finance costs, which represent the difference between the total hire purchase commitments and the original outstanding principal at the inception of the hire purchase contracts, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Operating leases

Rental expenses under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

Retirement benefits costs

The pension costs charged to the income statement represent the contributions payable to the Group's defined contribution scheme for the current year.

Cash equivalents

Cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

3. TURNOVER

	2001	2000
	HK\$'000	HK\$'000
Publication of newspapers and magazines	2,464,025	2,355,724
Property investment and building management	1,493	5,214
	<u>2,465,518</u>	<u>2,360,938</u>

4. SEGMENTAL INFORMATION

	Turnover		Contribution to profit from operations	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Publication of newspapers and magazines	2,464,025	2,355,724	225,131	105,492
Property investment and building management	1,493	5,214	1,493	(23,817)
	<u>2,465,518</u>	<u>2,360,938</u>	<u>226,624</u>	<u>81,675</u>

A geographical analysis of turnover has not been presented as all of the activities of the Group during the year were based in Hong Kong and all of the turnover and contribution to profit before taxation were derived from Hong Kong.

5. OTHER REVENUE

Included in other revenue are:

	2001	2000
	HK\$'000	HK\$'000
Interest earned on bank deposits	45,949	15,112
Sales of scrap materials	15,563	22,213
	<u>61,512</u>	<u>37,325</u>

6. PROFIT FROM OPERATIONS

	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,437	1,510
Depreciation:		
owned assets	144,305	118,665
assets held under hire purchase contracts	2,820	5,667
Provision for bad and doubtful debts	3,843	1,865
Operating lease rentals on land and buildings	12,661	9,294
Net exchange loss (gain)	3,022	(7,287)
Gross rental income from land and buildings	(1,469)	(5,201)
Less: Direct outgoings	-	-
	<hr/>	<hr/>
Net rental income	(1,469)	(5,201)
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7. FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on:		
Bank loans and other loans wholly repayable within 5 years	8,920	35,468
Hire purchase contracts	2,644	2,983
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Total borrowing costs	11,564	38,451
Less: Amounts capitalised	-	(3,807)
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	11,564	34,644
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8. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Details of directors' emoluments are as follows:

	2001	2000
	HK\$'000	HK\$'000
Fees		
Executive directors	150	150
Independent non-executive directors	165	165
	<hr/>	<hr/>
	315	315
Salaries and other benefits		
Executive directors	9,900	23,785
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	10,215	24,100
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The emoluments of the directors were within the following bands:

			Number of directors	
			2001	2000
Nil	-	HK\$1,000,000	5	6
HK\$3,000,001	-	HK\$3,500,000	-	1
HK\$3,500,001	-	HK\$4,000,000	1	1
HK\$5,500,001	-	HK\$6,000,000	1	-
HK\$7,500,001	-	HK\$8,000,000	-	1
HK\$8,500,001	-	HK\$9,000,000	-	1

(b) The emoluments of the top five individuals disclosed pursuant to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	47,056	48,083

Their emoluments were within the following bands:

		Number of individuals	
		2001	2000
HK\$ 2,500,001	- HK\$ 3,000,000	1	1
HK\$ 3,000,001	- HK\$ 3,500,000	-	1
HK\$ 3,500,001	- HK\$ 4,000,000	1	-
HK\$ 5,500,001	- HK\$ 6,000,000	1	-
HK\$ 7,000,001	- HK\$ 7,500,000	-	1
HK\$15,500,001	- HK\$16,000,000	1	-
HK\$16,500,001	- HK\$17,000,000	-	1
HK\$18,000,001	- HK\$18,500,000	-	1
HK\$19,000,001	- HK\$19,500,000	1	-

Two (2000: two) of the top five individuals with the highest emoluments in the Group are executive directors of the Company.

9. TAXATION

	2001 HK\$'000	2000 HK\$'000
The Company and subsidiaries:		
Hong Kong Profits Tax		
Current year	1,162	971
Overprovision in prior year	(618)	-
	544	971
Deferred taxation (note 23)	36,117	3,243
	36,661	4,214

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the year.

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders of HK\$268,998,000 (2000: HK\$42,817,000), a profit of HK\$282,421,000 (2000: HK\$3,005,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Ordinary shares:		
Interim, paid - HK\$0.05 per share (2000: Nil)	119,896	-
Final, proposed - HK\$0.06 per share (2000: Nil)	143,875	-
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	263,771	-
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The final dividend of HK\$0.06 (2000: Nil) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$268,998,000 (2000: HK\$42,817,000) and on 2,397,917,898 shares (2000: weighted average number of 2,194,259,619 shares, adjusted for bonus issue) in issue during the year.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings held under medium- term leases in Hong Kong	Plant, machinery and printing equipment	Furniture, fixtures and equipment	Motor Vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP					
AT COST OR VALUATION					
At 1 April 2000	905,522	1,145,875	226,721	19,456	2,297,574
Additions	-	18,506	8,732	2,554	29,792
Disposals	-	(138,570)	(352)	(1,166)	(140,088)
Deficit on revaluation	(499,872)	-	-	-	(499,872)
Write-off	-	(20,691)	(672)	(2,687)	(24,050)
	<u>405,650</u>	<u>1,005,120</u>	<u>234,429</u>	<u>18,157</u>	<u>1,663,356</u>
At 31 March 2001	405,650	1,005,120	234,429	18,157	1,663,356
Representing:					
At cost	-	1,005,120	234,429	18,157	1,257,706
At 2001 valuation	405,650	-	-	-	405,650
	<u>405,650</u>	<u>1,005,120</u>	<u>234,429</u>	<u>18,157</u>	<u>1,663,356</u>
DEPRECIATION					
At 1 April 2000	75,263	234,954	68,027	12,813	391,057
Charge for the year	19,989	76,984	45,854	4,298	147,125
Eliminated on disposals	-	(56,728)	(182)	(799)	(57,709)
Eliminated on revaluation	(95,252)	-	-	-	(95,252)
Eliminated on write-off	-	(20,691)	(672)	(2,687)	(24,050)
	<u>-</u>	<u>234,519</u>	<u>113,027</u>	<u>13,625</u>	<u>361,171</u>
At 31 March 2001	-	234,519	113,027	13,625	361,171
NET BOOK VALUES					
At 31 March 2001	<u>405,650</u>	<u>770,601</u>	<u>121,402</u>	<u>4,532</u>	<u>1,302,185</u>
At 31 March 2000	<u>830,259</u>	<u>910,921</u>	<u>158,694</u>	<u>6,643</u>	<u>1,906,517</u>

	Motor vehicles HK\$'000
THE COMPANY	
AT COST	
At 1 April 2000	19,456
Additions	2,554
Disposals	(1,166)
Write-off	(2,687)
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At 31 March 2001	18,157
DEPRECIATION	
At 1 April 2000	12,813
Charge for the year	4,298
Eliminated on disposals	(799)
Eliminated on write-off	(2,687)
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At 31 March 2001	13,625
NET BOOK VALUES	
At 31 March 2001	4,532
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At 31 March 2000	6,643
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The land and buildings of the Group in Hong Kong were revalued at 31 March 2001 by Debenham Tie Leung, an independent professional valuer, on an open market value basis. If these land and buildings had not been revalued, they would have been included in these financial statements at historical costs less accumulated depreciation of HK\$334,914,000 (2000: HK\$342,712,000).

Included in land and buildings of the Group are assets carried at a cost of HK\$4,389,000 (2000: HK\$4,389,000) and accumulated depreciation of HK\$472,000 (2000: HK\$439,000) in respect of assets held for use under operating leases.

Included in the plant, machinery and printing equipment of the Group at 31 March 2001 and 31 March 2000 is net interest capitalised of HK\$3,807,000.

The Group's net book value of plant, machinery and printing equipment includes an amount of HK\$53,123,000 (2000: HK\$104,844,000) in respect of assets held under hire purchase contracts.

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	43,747	43,803
Advances to subsidiaries	<u>1,630,389</u>	<u>1,354,636</u>
	1,674,136	1,398,439
Provision for diminution in value	<u>(695)</u>	<u>(816)</u>
	<u>1,673,441</u>	<u>1,397,623</u>

The advances are unsecured, interest free and have no fixed repayment terms. In the opinion of the directors, the Group will not demand repayment within twelve months from the balance sheet date and the amounts are therefore shown as non-current.

At 31 March 2001, the Company has the following principal subsidiaries:

<u>Name of subsidiary</u>	<u>Place of incorporation/ operation</u>	<u>Nominal value of ordinary shares held by the Company</u>	<u>Principal activity</u>
		HK\$	
Dragon Asia Property Limited	Hong Kong	100	Property holding
East Touch Limited	Hong Kong	2	Magazine publication
# East Touch Publisher Limited	Hong Kong	2	Registered publisher
Eastweek Limited	Hong Kong	2	Magazine publication
# Eastweek Publisher Limited	Hong Kong	2	Registered publisher
New Reform Limited	Hong Kong	100	Property holding
OPG Finance Limited	Hong Kong	2	Treasury company
OPG Human Resources Limited	Hong Kong	2	Human resources services
OPG Printing Limited	Hong Kong	100	Printing services
Oriental Daily News Limited	Hong Kong	100	Newspaper publication
# Oriental Daily Publisher Limited	Hong Kong	100	Registered publisher
Oriental Press Centre Limited	Hong Kong	2	Property holding
Oriental Publications Limited	Hong Kong	100	Publication services
Oriental Sunday Limited	Hong Kong	2	Magazine publication
# Oriental Sunday Publisher Limited	Hong Kong	2	Registered publisher
Orisun.com Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	Investment holding
# Orisun.com (BVI) Limited	British Virgin Islands/ Hong Kong	US\$100	Investment holding
# Orisun.com (HK) Limited	Hong Kong	2	Website service provider
Pertown Limited	Hong Kong	100	Property leasing
# Queen Glory Company Limited	Hong Kong	2	Property holding
# The Sun News Publisher Limited	Hong Kong	100	Registered publisher
The Sun Racing Journal Limited	Hong Kong	2	Horse racing journal publication

All the subsidiaries are directly held and wholly owned private limited companies except otherwise stated.

None of the subsidiaries had any loan capital subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Indirectly held

15. INTEREST IN ASSOCIATES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets of associates	-	-
Advance to associates	1,437	-
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	1,437	-
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The advance is unsecured, interest free and has no fixed repayment term. In the opinion of the directors, the Group will not demand repayment within twelve months from the balance sheet date and the amount is therefore shown as non-current.

At 31 March 2001, the Group had an interest in the following associates:

Name of associate	Place of incorporation/ operation	Class of share held	Proportion of nominal value of issued capital held by the Group	Principal activity
Eastweek.com.hk Limited	British Virgin Islands/ Hong Kong	Ordinary	50%	Website service Provider
# Eastweek.com.hk Operations Limited	Hong Kong	Ordinary	50%	Inactive
# Indirectly held				

16. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Printing materials	212,199	140,521
Spare parts and supplies	14,362	10,435
Others	207	276
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	226,768	151,232
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17. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 - 60 days	190,829	221,665
61 - 90 days	64,265	88,015
>90 days	60,714	122,300
	<u>315,808</u>	<u>431,980</u>

18. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 - 60 days	85,171	92,026
61 - 90 days	9,210	9,834
>90 days	21,931	16,747
	<u>116,312</u>	<u>118,607</u>

19. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The maturity of obligations under hire purchase contracts is as follows:		
Within one year	450	11,165
More than one year, but not exceeding two years	494	12,163
More than two years, but not exceeding five years	1,302	31,295
	<u>2,246</u>	<u>54,623</u>
Less: Amount due within one year shown under current liabilities	<u>(450)</u>	<u>(11,165)</u>
Amount due after one year	<u>1,796</u>	<u>43,458</u>

20. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Secured bank loans	91,463	152,000
Trust receipts loans	-	62,907
	<u>91,463</u>	<u>214,907</u>
The maturities of the above bank borrowings are as follows:		
Within one year	22,404	101,907
More than one year, but not exceeding two years	22,404	39,000
More than two years, but not exceeding five years	46,655	74,000
	<u>91,463</u>	<u>214,907</u>
Less: Amounts due within one year shown under current liabilities	<u>(22,404)</u>	<u>(101,907)</u>
Amount due after one year	<u>69,059</u>	<u>113,000</u>

The bank loans are secured by a charge over the printing equipment with an aggregate net book value of approximately HK\$169 million (2000: HK\$296 million) as at the balance sheet date.

21. SHARE CAPITAL

	Number of shares		Share capital	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$0.25 each				
Authorised:				
At beginning and end of the year	<u>5,000,000,000</u>	<u>5,000,000,000</u>	<u>1,250,000</u>	<u>1,250,000</u>
Issued and fully paid:				
At beginning of the year	1,998,264,915	1,816,604,915	499,566	454,151
Bonus issue of shares	399,652,983	-	99,913	-
Subscription of shares	<u>-</u>	<u>181,660,000</u>	<u>-</u>	<u>45,415</u>
At end of the year	<u>2,397,917,898</u>	<u>1,998,264,915</u>	<u>599,479</u>	<u>499,566</u>

A bonus issue of shares on the basis of one bonus share for every five shares was issued to the shareholders on 7 August 2000.

22. RESERVES

	Share premium	Capital reserve	Exchange reserve	Revaluation reserve			Retained profits	Total
				Investment properties	Other properties	Plant and equipment		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
THE GROUP								
At 1 April 1999	420,453	-	1,076	19,386	473,974	110,307	492,292	1,517,488
Exchange adjustments	-	-	(753)	-	-	-	-	(753)
Subscription of shares	493,945	-	-	-	-	-	-	493,945
Released upon disposal of								
- investment property	-	-	(1,143)	-	-	-	-	(1,143)
- printing equipment	-	-	-	-	-	(51,293)	51,293	-
Realisation of deficit upon disposal	-	-	-	24,386	-	-	-	24,386
Profit for the year	-	-	-	-	-	-	42,817	42,817
At 31 March 2000	914,398	-	(820)	43,772	473,974	59,014	586,402	2,076,740
Exchange adjustments	-	-	2,782	-	-	-	-	2,782
Bonus issue of shares	(99,913)	-	-	-	-	-	-	(99,913)
Released upon disposal of printing equipment	-	-	-	-	-	(59,014)	59,014	-
Realised on dissolution of a subsidiary	-	-	(108)	-	-	-	-	(108)
Deficit on revaluation	-	-	-	(43,772)	(328,772)	-	-	(372,544)
Profit for the year	-	-	-	-	-	-	268,998	268,998
Dividends	-	-	-	-	-	-	(263,771)	(263,771)
At 31 March 2001	814,485	-	1,854	-	145,202	-	650,643	1,612,184
THE COMPANY								
At 1 April 1999	420,453	110,307	-	-	-	-	249,539	780,299
Subscription of shares	493,945	-	-	-	-	-	-	493,945
Released upon disposal of printing equipment	-	(51,293)	-	-	-	-	51,293	-
Profit for the year	-	-	-	-	-	-	3,005	3,005
At 31 March 2000	914,398	59,014	-	-	-	-	303,837	1,277,249
Bonus issue of shares	(99,913)	-	-	-	-	-	-	(99,913)
Released upon disposal of printing equipment	-	(59,014)	-	-	-	-	59,014	-
Profit for the year	-	-	-	-	-	-	282,421	282,421
Dividends	-	-	-	-	-	-	(263,771)	(263,771)
At 31 March 2001	814,485	-	-	-	-	-	381,501	1,195,986

Distributable reserves of the Company at 31 March 2001 calculated under Section 79B of the Companies Ordinance amounted to HK\$381,501,000 (2000: HK\$303,837,000).

23. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	35,558	32,315	-	818
Charge for the year	36,117	3,243	-	(818)
Balance at end of the year	<u>71,675</u>	<u>35,558</u>	<u>-</u>	<u>-</u>
Comprises tax effect on timing differences arising from:				
Difference between depreciation and depreciation allowances	121,032	131,698	-	-
Unutilised tax losses	(49,357)	(96,140)	-	-
	<u>71,675</u>	<u>35,558</u>	<u>-</u>	<u>-</u>

The potential deferred tax assets (liabilities) which have not been provided for in the financial statements are as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Balance at beginning of the year	5,293	23,936	3,143	6,798
Current year				
Difference between depreciation and depreciation allowances	25,637	(21,008)	259	(1,275)
General provision	(2,644)	169	-	-
Tax losses incurred (utilised)	2,019	2,196	(711)	(2,380)
Balance at end of the year	<u>30,305</u>	<u>5,293</u>	<u>2,691</u>	<u>3,143</u>
Comprises tax effect on timing difference arising from:				
Difference between depreciation and depreciation allowances	348	(25,289)	(420)	(679)
General provision	2,416	5,060	-	-
Unutilised tax losses	27,541	25,522	3,111	3,822
Balance at end of the year	<u>30,305</u>	<u>5,293</u>	<u>2,691</u>	<u>3,143</u>

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

Deferred taxation has not been provided on the surplus arising on the revaluation of land and buildings as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus does not constitute a timing difference for tax purposes.

24. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
Profit before taxation	305,659	47,031
Gain on disposal of partial interest in a subsidiary	(89,530)	-
Gain on dissolution of subsidiaries	(1,069)	-
Interest income	(45,949)	(15,112)
Interest expense	11,564	34,644
Exchange differences	2,782	-
Provision for bad and doubtful debts	3,843	1,865
Depreciation	147,125	124,332
Deficit on revaluation of land and buildings	32,076	-
Net loss on disposal of plant and equipment	68,253	23,109
Loss on disposal of investment properties	-	29,283
(Increase) decrease in inventories	(75,536)	36,641
Decrease (increase) in trade receivables	112,329	(153,189)
Decrease in other debtors, deposits and prepayments	2,830	29,980
Decrease in trade payables	(305)	(70,254)
Increase in other creditors, accruals and deposits received	88,076	66,723
	<u>88,076</u>	<u>66,723</u>
Net cash inflow from operating activities	<u>562,148</u>	<u>155,053</u>

25. DISSOLUTION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets of subsidiaries at dissolution:		
Deposits	828	-
Bank balances and cash	201	-
Trade payable	(1,990)	-
	(961)	-
Exchange reserve realised on dissolution of a subsidiary	(108)	-
Gain on dissolution of subsidiaries	1,069	-
	-	-
Cash outflow arising from dissolution of subsidiaries	(201)	-

The subsidiaries which were dissolved during the year did not have any significant impact on the Group's cash flows and operating results.

26. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Secured bank loans HK\$'000	Obligations under hire purchase contracts HK\$'000
At 1 April 1999	874,604	301,382	30,213
Inception of hire purchase contracts	-	-	31,072
Net cash inflow (outflow) from financing	539,360	(149,382)	(6,662)
At 31 March 2000	1,413,964	152,000	54,623
Inception of hire purchase contracts	-	-	2,557
Net cash outflow from financing	-	(60,537)	(54,934)
At 31 March 2001	1,413,964	91,463	2,246

27. ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2001	2000
	HK\$'000	HK\$'000
Time deposits, bank balances and cash	951,053	560,332
Trust receipts loans	-	(62,907)
	<u>951,053</u>	<u>497,425</u>

28. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Group entered into hire purchase arrangements in respect of printing equipment with a total capital value of HK\$2,557,000 (2000: HK\$31,072,000) at the inception of the contracts.
- (b) During the year, 399,652,983 bonus shares were issued by the capitalisation of HK\$99,913,000 (2000: Nil) of the share premium account.

29. CONTINGENT LIABILITIES

- (a) At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of:

	THE COMPANY	
	2001	2000
	HK\$'000	HK\$'000
Guarantees for banking facilities utilised by subsidiaries	<u>91,463</u>	<u>214,907</u>

- (b) At the balance sheet date, 674 (2000: 620) employees have completed the required number of years of service under the Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. If the termination of all these employees met the circumstances as stipulated in the Ordinance, the Group's liability at the balance sheet date would have been approximately HK\$83.8 million (2000: HK\$78.0 million), of which HK\$8.2 million (2000: HK\$9.0 million) has been provided for in the financial statements.

30. COMMITMENTS

At the balance sheet date, the Group had commitments, so far as not provided for in the financial statements, as follows:

	2001 HK\$'000	2000 HK\$'000
(a) Operating lease commitments		
Annual lease commitments under non-cancellable operating leases in respect of rented premises which expire:		
Within one year	3,455	333
In the second to fifth years inclusive	-	7,860
	<u>3,455</u>	<u>8,193</u>
	2001 HK\$'000	2000 HK\$'000
(b) Capital commitments		
Contracted capital commitments in respect of the acquisition of property, plant and equipment	-	53,551
	<u>-</u>	<u>53,551</u>

The Company did not have any commitment at the balance sheet date.

31. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group paid legal fees amounting to HK\$3,049,000 (2000: HK\$5,461,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, an independent non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li. The transaction prices were considered by the directors as estimated market value.
- (b) During the year, the Group entered into the following transactions with associates:

	2001 HK\$'000	2000 HK\$'000
Labour service income	678	-
Advertising income	507	-
Management fee income	46	-
Rental income	7	-
	<u>7</u>	<u>-</u>

Except for advertising income which was carried out at market price, the above transactions were carried out on actual cost basis.

32. PENSION SCHEME

From 1 December 2000 to 31 March 2001, the employees of the Group were covered under the mandatory provident fund scheme (the "MPF"). The MPF is defined contribution scheme and the assets are managed by the trustee.

The MPF is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% of the staff's relevant income. The maximum relevant income for contribution purpose is HK\$20,000 per month. Staff members are entitled to 100% of the Group's contributions together with accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65.

33. OUTSTANDING LITIGATIONS

At the balance sheet date, there were twenty five outstanding unresolved litigations that were brought against the Group. All these cases were related to defamation. The Group intends to strongly contest the claims and while the final outcome of the proceedings is uncertain, the directors are of the opinion that the ultimate liability, if any, will not have a material adverse impact upon the Group's financial position.