

## 1 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

### (a) Basis of preparation

The accounts are prepared under the historical cost convention as modified by the revaluation of properties and other trading investments. The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate, apart from the Group's reorganisation which took place in 1991 and was accounted for using merger accounting.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets at the date of disposal together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors.

Minority interests represent the interests of outside members in the operating results and net assets of the subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision, if necessary, for any permanent diminution in value. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised on its management.

The consolidated profit and loss account includes the Group's share of results of the associated companies for the year and the consolidated balance sheet includes the Group's share of the net assets of the associated companies.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision, if necessary, for any permanent diminution in value. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (d) Revenue recognition

Revenue from the circulation and subscription sales of newspapers, periodicals and books is recognised on the transfer of risks and rewards of ownership which generally coincides with the date of delivery. Unearned subscription fees received from subscribers are recorded as subscriptions received in advance under accounts payable and accrued charges in the balance sheet.

Advertising income is recognised as and when the newspapers and periodicals are published.

Revenue from packaged tour operations is recognised upon the departure of tours. Revenue from the provision of other travel related services is recognised upon the delivery of services.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and interest rates applicable.

Rental income, management fee income and commission income are recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established.

### (e) Intangible assets - publishing titles

The Group's publishing titles are stated at cost or valuation and no amortisation is provided thereon since, in the opinion of the directors, these publishing titles do not have a finite useful economic life.

### (f) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed, and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are revalued annually by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuations are credited to the investment properties revaluation reserve. Decreases in valuations are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties are not depreciated except where the unexpired term of the lease is 20 years or less in which case depreciation is provided on the carrying amount over the remaining term of the lease.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings and is shown as a movement in reserves.

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (g) Property under development

Property under development is investment in land and buildings under construction. Property under development is stated at cost less provision for diminution in value. Costs include attributable interest and professional charges capitalised during the construction period. No depreciation is provided on property under development.

### (h) Properties, plant and equipment

Fixed assets other than investment properties are stated at cost less accumulated depreciation.

Other properties are interests in freehold and leasehold land and buildings. Other properties are stated at valuation, being the fair value at the date of revaluation, less accumulated amortisation or depreciation and any provisions required to reflect recoverable amount. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction and is determined on the basis of existing use.

Effective from 30th September 1995, no further revaluations of the Group's freehold and leasehold land and buildings other than investment properties have been carried out. The Group places reliance on paragraph 72 of SSAP 17 which provides exemption from the need to make regular revaluations for such assets.

Freehold land is not amortised. Freehold buildings are depreciated on a straight-line basis over their expected useful lives to the Group, the principal annual rate used for this purpose is 2.5%.

Leasehold land and buildings/improvements are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. Other fixed assets are depreciated at rates sufficient to write off their cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold land and buildings	2% – 2.6%
Leasehold improvements	15% – 33.33%
Furniture and fixtures	10% – 33.33%
Machinery and printing equipment	6.67% – 33.33%
Motor vehicles	25%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flow have not been discounted in determining the recoverable amount.

The gain or loss on disposal of a fixed asset other than investment properties is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

## I PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (i) Assets under leases

#### (i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the leases at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

#### (ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

### (j) Other trading investments

Other trading investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

### (k) Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, is arrived at by reference to the suppliers' invoiced cost. Net realised value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (l) Borrowing costs

Borrowing costs incurred on property under development which takes a substantial period of time to get ready for its intended use or sale are capitalised into the carrying value of the property under development. Interest is capitalised at the interest rate applicable to specific development borrowings. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

## 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

### (m) Pension cost

The Group's contributions to retirement schemes are expensed as incurred, and the assets of the schemes are held separately from those of the Group in independently administered funds.

### (n) Accounts receivable

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

### (o) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash net of bank overdrafts, trust receipts loans and short-term highly liquid investments, which are readily convertible into cash and have original maturities of three months or less at the date of acquisition. In the balance sheet, bank overdrafts and trust receipts loans are included in borrowings in current liabilities. Cash equivalents are stated at cost, which approximates their fair value because of the short-term maturity of these investments.

### (p) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

### (q) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of overseas subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as movements in reserves.

### (r) Comparative figures

Certain comparative figures in the consolidated profit and loss account have been reclassified to conform with the current year's presentation. The changes included the re-classification of direct overheads in the production and editorial departments from administrative expenses and other operating expenses to cost of sales, and the exclusion of rental and management fee income from turnover as property investment is no longer considered part of the core business of the Group. The new classification of the accounting items was considered to provide a more appropriate presentation of the Group's operating results.

## 2 REVENUES AND TURNOVER

The Group is principally engaged in the publication of Chinese newspapers, periodicals and books and provision of travel and travel related services. Revenues recognised during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Sales of newspapers, periodicals and books, net of trade discounts and returns	228,069	221,309
Advertising income, net of trade discounts	598,703	567,920
Travel and travel related services income	391,568	363,364
	<u>1,218,340</u>	<u>1,152,593</u>
Other revenues		
Rental and management fee income	892	3,317
Interest income	16,425	8,691
Dividend income	32	74
Commission income	1,504	1,542
	<u>18,853</u>	<u>13,624</u>
Total revenues	<u><u>1,237,193</u></u>	<u><u>1,166,217</u></u>

## 2 REVENUES AND TURNOVER (Cont'd)

An analysis of the Group's turnover and contribution to profit before taxation for the year by principal activities and markets is as follows:

	Turnover		Profit/(loss) before taxation	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>Principal activities:</b>				
Publishing	803,056	787,444	71,184	62,759
Travel and travel related services	366,540	363,364	4,994	1,999
Internet businesses ( <i>Note</i> )	48,744	1,785	(33,228)	(6,985)
	<u>1,218,340</u>	<u>1,152,593</u>	<u>42,950</u>	<u>57,773</u>
Provision for losses on investments	–	–	–	(26,020)
Provision for diminution in value on property under development	–	–	–	(44,500)
Gain on disposal/dilution of interests in subsidiaries	–	–	56,993	99,992
	<u>1,218,340</u>	<u>1,152,593</u>	<u>99,943</u>	<u>87,245</u>
<b>Principal markets:</b>				
Hong Kong	859,646	816,057	110,779	93,347
Canada	224,215	214,475	10,366	10,525
The United States of America	107,409	91,105	(17,993)	(21,187)
The Mainland China	27,070	30,956	(3,209)	4,560
	<u>1,218,340</u>	<u>1,152,593</u>	<u>99,943</u>	<u>87,245</u>

*Note:* Internet businesses comprise advertising, provision of contents and travel related services through the Group's various portals.

### 3 OPERATING PROFIT

	Group	
	2001 HK\$'000	2000 HK\$'000
Operating profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Gain on disposal/dilution of interests in subsidiaries	56,993	99,992
Net exchange gain	7,399	–
Gain on disposals of other trading investments	–	11,564
Reversal of provision for unrealised loss on other trading investments	–	25
<b>Charging</b>		
Auditors' remuneration		
– current year	2,093	1,642
– overprovision for previous years	(218)	(962)
Cost of inventories sold	175,687	157,558
Depreciation of fixed assets	34,822	34,456
Staff costs, including directors' emoluments ( <i>Note</i> )	346,798	319,558
Provision for losses on investments	–	26,020
Provision for diminution in value on property under development	–	44,500
Operating lease expenses		
– land and buildings	5,871	3,849
– plant and machinery	20	30
Outgoings in respect of investment properties	7	7
Provision for doubtful debts	5,831	2,235
Write-off and amortisation of deferred expenditure	–	5,086
Net exchange loss	–	5,467
Deficit on revaluation of investment properties not covered by previous surplus	60	200
Loss on disposals of fixed assets	2,386	2,366
	<u>2,386</u>	<u>2,366</u>

*Note:* Included in staff costs is retirement benefit expenses of HK\$8,739,000 (2000: HK\$8,232,000).

### 4 FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest expenses on bank loans and overdrafts	<u>14,711</u>	<u>15,198</u>



## 5 TAXATION

The amount of taxation charge in the consolidated profit and loss account represents:

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax		
– current year	3,538	2,297
– under provision in previous years	4,859	1,184
Overseas taxation		
– current year	523	–
– (over)/under provision in previous years	(437)	131
Taxation charge	<u>8,483</u>	<u>3,612</u>

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits of the companies within the Group operating in Hong Kong for the year.

Overseas taxation is provided at the relevant tax rates on the estimated assessable profits of the companies within the Group operating overseas for the year.

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$12,308,000 (2000: HK\$5,649,000).

## 7 DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim of HK3 cents (2000: Nil) per ordinary share	11,767	–
Special of HK8 cents (2000: Nil) per ordinary share	31,388	–
Final, proposed, of HK3 cents (2000: HK3 cents) per ordinary share	<u>11,770</u>	<u>11,762</u>
	<u>54,925</u>	<u>11,762</u>

## 8 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of HK\$93,455,000 (2000: HK\$83,641,000) and the weighted average of 392,173,770 shares (2000: 390,583,440 shares) in issue during the year.

Diluted earnings per share is not shown as there is no material dilution effect arising from the share options granted by the Company.

## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of the directors' emoluments pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Directors' fees	240	270
Other emoluments		
– Basic salaries, housing allowances, other allowances and benefits in kind	3,531	2,886
Pension contributions	86	43
	<u>3,857</u>	<u>3,199</u>

Directors' fees were paid to independent non-executive directors.

- (b) The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2001	2000
From Nil to HK\$1,000,000	5	8
From HK\$1,000,001 to HK\$1,500,000	–	–
From HK\$1,500,001 to HK\$2,000,000	2	–
From HK\$2,000,001 to HK\$2,500,000	–	1
	<u>–</u>	<u>1</u>

No directors waived any emoluments in respect of the years ended 31st March 2001 and 2000.

## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

- (c) The five individuals whose emoluments were the highest in the Group for the year include an executive director whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining four (2000: four) individuals during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	7,249	6,484
Pension contributions	251	299
	<u>7,500</u>	<u>6,783</u>

The emoluments of the four individuals fell within the following bands:

Emoluments bands	Number of individuals	
	2001	2000
From HK\$1,500,001 to HK\$2,000,000	4	3
From HK\$2,000,001 to HK\$2,500,000	<u>0</u>	<u>1</u>

## 10 INTANGIBLE ASSETS

		Group	
	Note	2001 HK\$'000	2000 HK\$'000
Publishing titles			
– at professional valuation	(a) & 20	600,000	600,000
– at directors' valuation on acquisition of a subsidiary	(b)	10,000	10,000
– at cost		<u>–</u>	<u>35,000</u>
		<u>610,000</u>	<u>645,000</u>

- (a) The Group's principal publishing titles of HK\$600,000,000 were revalued by Arthur Andersen & Co., Certified Public Accountants, at 30th September 1995 on a fair market value in use basis. At 31st March 2000, the publishing titles were revalued by Arthur Andersen & Co. on the same basis as stated above at HK\$829,000,000. This revaluation has not been incorporated in the accounts. On the basis of the above, no amortisation or provision for diminution in value is made for the Group's principal publishing titles in the accounts.
- (b) The directors valued the publishing title of a subsidiary acquired in 1992 at HK\$10,000,000 with reference to the total consideration paid for this subsidiary.

## 11 FIXED ASSETS

	Group									
	Properties (Note 23)									
	Freehold land and buildings outside Hong Kong	Land and buildings held on long term leases outside Hong Kong	Land and buildings held on long term leases in Hong Kong	Land and buildings held on medium term leases outside Hong Kong	Investment properties in Hong Kong	Property under development in Hong Kong	Leasehold improve- ments, furniture, and equipment	Machinery and printing equipment (Note 23)	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation										
At 1st April 2000	19,934	38,703	282,098	3,710	600	65,398	83,285	193,140	4,749	691,617
Reclassification	-	-	-	-	-	-	15,434	(15,434)	-	-
Additions	-	-	-	-	-	65	21,947	8,998	336	31,346
Revaluation adjustment	-	-	-	-	(60)	-	-	-	-	(60)
Exchange adjustment	(1,289)	-	-	-	-	-	(2,425)	(2,035)	(27)	(5,776)
Disposals	-	-	-	-	-	(65,463)	(7,863)	(731)	(193)	(74,250)
At 31st March 2001	<u>18,645</u>	<u>38,703</u>	<u>282,098</u>	<u>3,710</u>	<u>540</u>	<u>-</u>	<u>110,378</u>	<u>183,938</u>	<u>4,865</u>	<u>642,877</u>
Aggregate depreciation/ amortisation										
At 1st April 2000	908	3,505	31,135	428	-	44,500	64,415	118,661	3,619	267,171
Reclassification	-	-	-	-	-	-	14,345	(14,345)	-	-
Charge for the year	205	779	7,780	95	-	-	13,523	11,992	448	34,822
Revaluation adjustment	-	-	-	-	-	-	-	-	-	-
Exchange adjustment	(117)	-	-	-	-	-	(2,302)	(1,279)	(25)	(3,723)
Disposals	-	-	-	-	-	(44,500)	(7,723)	(731)	(193)	(53,147)
At 31st March 2001	<u>996</u>	<u>4,284</u>	<u>38,915</u>	<u>523</u>	<u>-</u>	<u>-</u>	<u>82,258</u>	<u>114,298</u>	<u>3,849</u>	<u>245,123</u>
Net book value										
At 31st March 2001	<u>17,649</u>	<u>34,419</u>	<u>243,183</u>	<u>3,187</u>	<u>540</u>	<u>-</u>	<u>28,120</u>	<u>69,640</u>	<u>1,016</u>	<u>397,754</u>
At 31st March 2000	<u>19,026</u>	<u>35,198</u>	<u>250,963</u>	<u>3,282</u>	<u>600</u>	<u>20,898</u>	<u>18,870</u>	<u>74,479</u>	<u>1,130</u>	<u>424,446</u>

## 11 FIXED ASSETS (Cont'd)

The analysis of the cost or valuation of the above assets at 31st March 2001 is as follows:

	Freehold land and buildings outside Hong Kong HK\$'000	Land and buildings held on long term leases outside Hong Kong HK\$'000	Land and buildings held on long term leases in Hong Kong HK\$'000	Land and buildings held on medium term leases outside Hong Kong HK\$'000	Investment properties in Hong Kong HK\$'000	Property under development in Hong Kong HK\$'000	Leasehold improve- ments, furniture, and fixtures and equipment Hong Kong HK\$'000	Machinery and printing equipment (Note 23) Hong Kong HK\$'000	Motor vehicles Hong Kong HK\$'000	Total Hong Kong HK\$'000
At cost	545	-	6,474	-	-	-	110,378	183,938	4,865	306,200
At professional valuation										
- 1995	18,100	38,703	275,624	3,710	-	-	-	-	-	336,137
- 2001	-	-	-	-	540	-	-	-	-	540
	<u>18,645</u>	<u>38,703</u>	<u>282,098</u>	<u>3,710</u>	<u>540</u>	<u>-</u>	<u>110,378</u>	<u>183,938</u>	<u>4,865</u>	<u>642,877</u>

The analysis of the cost or valuation of the above assets at 31st March 2000 is as follows:

At cost	545	-	6,474	-	-	65,398	83,285	193,140	4,749	353,591
At professional valuation										
- 1995	19,389	38,703	275,624	3,710	-	-	-	-	-	337,426
- 2000	-	-	-	-	600	-	-	-	-	600
	<u>19,934</u>	<u>38,703</u>	<u>282,098</u>	<u>3,710</u>	<u>600</u>	<u>65,398</u>	<u>83,285</u>	<u>193,140</u>	<u>4,749</u>	<u>691,617</u>

- (a) All freehold and leasehold land and buildings were revalued by Vigers Hong Kong Limited and Royal LePage Appraisal & Consulting Services, independent international property consultants, on an open market value basis at 30th September 1995.

All investment properties of the Group were revalued by DTZ Debenham Tie Leung Limited, independent international surveyors and valuers, on an open market value basis at 31st March 2001 for existing use.

- (b) The carrying values of machines purchased under finance leases are HK\$8,526,000 (2000: Nil).
- (c) The carrying amounts of land and buildings, other than investment properties and property under development, would have been HK\$181,682,000 (2000: HK\$187,203,000) had they been stated at cost less accumulated depreciation.

## 12 INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	745,171	745,171
Amounts due from subsidiaries:		
– interest free	313,793	337,977
– interest bearing at 6.1% (2000: 4.125%) per annum	239,143	339,773
	<u>1,298,107</u>	<u>1,422,921</u>

The amounts due from subsidiaries are unsecured and are not repayable within the next twelve months.

Details of the Company's principal subsidiaries are set out in note 29 to the accounts.

## 13 INTERESTS IN ASSOCIATED COMPANIES

		Group	
	Note	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	(a)	17,500	–
Amount due from an associated company	(b)	8,246	–
Loans to an associated company	(b)	19,100	19,100
		<u>44,846</u>	19,100
Less: Provision against loans to an associated company		(19,100)	(19,100)
		<u>25,746</u>	<u>–</u>

### 13 INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

(a) The following is a list of the Group's associated companies at 31st March 2001:

Name	Place of establishment/ operation	Effective equity interest %	Issued/ registered capital	Nature of business
Yazhou Zhoukan Holdings Limited	British Virgin Islands	48.525	HK\$10,000	Investment holding
Yazhou Zhoukan Limited*	Hong Kong	48.525	HK\$9,500	Magazine publisher
亞週股份有限公司*	Taiwan	48.525	NT5,000,000	Magazine distributor
Dazzling Sunshine Limited	Hong Kong	33.33	HK\$1,500	Golf club investment
View On Trading Limited	Hong Kong	30.00	HK\$100	Golf club investment
Guangzhou South China Golf Club Co., Ltd	The Mainland China	30.00	US\$8,000,000	Golf club operations

\* At 31st March 2000, the Group had 100% equity interests in these companies and regarded them as subsidiaries of the Group. In the year ended 31st March 2001, the Group disposed of 51.475% interest in each of these companies, and thereafter these companies were regarded as associated companies of the Group.

(b) The loans to and amount due from associated companies are unsecured, interest free and not repayable within the next twelve months.

### 14 INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	44,912	37,996
Finished goods	4,881	5,266
	<u>49,793</u>	<u>43,262</u>

At 31st March 2001, the carrying amounts of inventories that are carried at net realisable value amounted to HK\$1,587,000 (2000: HK\$1,991,000).

## 15 OTHER TRADING INVESTMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong listed shares, at fair value	<u>427</u>	<u>577</u>	<u>427</u>	<u>577</u>

## 16 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accounts receivable ( <i>Note</i> )	140,611	164,711	–	–
Deposits and prepayments	<u>29,758</u>	<u>37,021</u>	<u>549</u>	<u>400</u>
	<u>170,369</u>	<u>201,732</u>	<u>549</u>	<u>400</u>

*Note:*

The Group allows in general a credit period of up to 90 days to its trade customers. At 31st March 2001, the ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 to 60 days	89,237	100,611
61 to 120 days	38,625	44,803
121 to 180 days	9,878	16,794
Over 180 days	<u>2,871</u>	<u>2,503</u>
	<u>140,611</u>	<u>164,711</u>

## 17 CASH AND BANK BALANCES

Included in the cash and bank balances of the Group are cash and bank deposits denominated in Renminbi placed with banks in The Mainland China amounted to HK\$14,778,000 (2000: HK\$14,993,000).



## 18 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accounts payable ( <i>Note</i> )	50,970	51,640	–	–
Accrued charges	64,243	86,835	5,033	4,787
	<u>115,213</u>	<u>138,475</u>	<u>5,033</u>	<u>4,787</u>

*Note:*

At 31st March 2001, the ageing analysis of the Group's accounts payable is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
0 to 60 days	47,183	45,386
61 to 120 days	2,611	3,226
121 to 180 days	1,176	1,446
Over 180 days	–	1,582
	<u>50,970</u>	<u>51,640</u>

## 19 SHARE CAPITAL

	Authorised ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 31st March 2000 and 2001	<u>500,000,000</u>	<u>50,000</u>

	2001		2000	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1st April	391,972,000	39,197	390,345,000	39,035
Exercise of share options	373,000	37	1,627,000	162
At 31st March	<u>392,345,000</u>	<u>39,234</u>	<u>391,972,000</u>	<u>39,197</u>

## 19 SHARE CAPITAL (Cont'd)

Pursuant to a Share Option Scheme (the "Scheme") approved at a special general meeting of the Company held on 21st February 1991, the directors may, at their discretion, invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares of the Company subject to the terms and conditions stipulated therein. The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the share capital of the Company in issue from time to time.

During the year, 100,000 shares of HK\$0.10 each were issued at HK\$1.89 per share, 173,000 shares of HK\$0.10 each were issued at HK\$1.386 per share, and 100,000 shares of HK\$0.10 each were issued at HK\$2.219 per share as a result of the exercise of Company's share options. All share options that have not been exercised lapsed automatically on 20th February 2001, the expiry date of the Scheme.

Movements of the share options granted by the Company during the year were:

Date of grant	Exercise price per share HK\$	Number of shares involved in share options				Balance at 31st March 2001
		Balance at 1st April 2000	Granted during the year	Exercised during the year	Lapsed during the year	
1st June 1994	5.77	462,000	-	-	(462,000)	-
1st June 1995	4.04	49,000	-	-	(49,000)	-
1st June 1996	3.19	581,000	-	-	(581,000)	-
1st June 1997	1.89	100,000	-	(100,000)	-	-
1st June 1998	1.386	473,000	-	(173,000)	(300,000)	-
1st June 2000	2.219	-	1,694,000	(100,000)	(1,594,000)	-
		<u>1,665,000</u>	<u>1,694,000</u>	<u>(373,000)</u>	<u>(2,986,000)</u>	<u>-</u>

## 20 RESERVES

	Group								
	Share premium account	Property revaluation reserve	Publishing titles revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Difference arising on consolidation	Reserve arising on consolidation	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 1999	587,067	145,096	600,000	356	277	(22,400)	1,804	(249,494)	1,062,706
Premium on issue of shares	2,085	-	-	-	-	-	-	-	2,085
Profit attributable to shareholders	-	-	-	-	-	-	-	83,641	83,641
Dividend	-	-	-	-	-	-	-	(11,762)	(11,762)
Exchange adjustment	-	-	-	-	(1,112)	-	-	-	(1,112)
At 31st March 2000 (Note (c))	<u>589,152</u>	<u>145,096</u>	<u>600,000</u>	<u>356</u>	<u>(835)</u>	<u>(22,400)</u>	<u>1,804</u>	<u>(177,615)</u>	<u>1,135,558</u>
At 1st April 2000	589,152	145,096	600,000	356	(835)	(22,400)	1,804	(177,615)	1,135,558
Premium on issue of shares	613	-	-	-	-	-	-	-	613
Profit attributable to shareholders	-	-	-	-	-	-	-	93,455	93,455
Dividends	-	-	-	-	-	-	-	(54,925)	(54,925)
Goodwill reversed upon disposal of a subsidiary	-	-	-	-	-	-	74	-	74
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	943	-	-	-	943
Exchange adjustment	-	-	-	-	(194)	-	-	-	(194)
At 31st March 2001 (Note (c))	<u>589,765</u>	<u>145,096</u>	<u>600,000</u>	<u>356</u>	<u>(86)</u>	<u>(22,400)</u>	<u>1,878</u>	<u>(139,085)</u>	<u>1,175,524</u>

## 20 RESERVES (Cont'd)

	Company				
	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus account HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st April 1999	587,067	356	200,379	530,130	1,317,932
Premium on issue of shares	2,085	–	–	–	2,085
Profit attributable to shareholders	–	–	–	5,649	5,649
Dividend	–	–	–	(11,762)	(11,762)
At 31st March 2000	<u>589,152</u>	<u>356</u>	<u>200,379</u>	<u>524,017</u>	<u>1,313,904</u>
At 1st April 2000	589,152	356	200,379	524,017	1,313,904
Premium on issue of shares	613	–	–	–	613
Profit attributable to shareholders	–	–	–	12,308	12,308
Dividends	–	–	–	(54,925)	(54,925)
At 31st March 2001	<u>589,765</u>	<u>356</u>	<u>200,379</u>	<u>481,400</u>	<u>1,271,900</u>

- (a) The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group's level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.
- (b) Distributable reserves of the Company at 31st March 2001 amounted to HK\$681,779,000 (2000: HK\$724,396,000).
- (c) At 31st March 2001 and 2000, all reserves carried forward by the Group are retained by the Company and its subsidiaries.

## 21 LONG-TERM LIABILITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans — secured				
Not wholly repayable within five years	46,720	93,080	41,488	86,142
Obligations under finance leases				
Wholly repayable within five years	7,884	—	—	—
	<u>54,604</u>	<u>93,080</u>	<u>41,488</u>	<u>86,142</u>
Current portion of long-term liabilities	<u>(44,111)</u>	<u>(36,815)</u>	<u>(41,488)</u>	<u>(35,780)</u>
	<u>10,493</u>	<u>56,265</u>	<u>—</u>	<u>50,362</u>

At 31st March 2001, the bank loans and other borrowings were repayable as follows:

	Group		Company	
	Bank loans		Obligations under finance leases	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
In the first year	41,908	36,815	2,203	—
In the second year	420	51,043	2,233	—
In the third to fifth year	1,260	1,367	3,448	—
After the fifth year	3,132	3,855	—	—
	<u>46,720</u>	<u>93,080</u>	<u>7,884</u>	<u>—</u>
			Company Bank loans	
			2001 HK\$'000	2000 HK\$'000
In the first year			41,488	35,780
In the second year			—	50,362
			<u>41,488</u>	<u>86,142</u>

## 22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## (a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Operating profit	114,659	102,443
Provision for losses on investments	–	26,020
Provision for diminution in value on property under development	–	44,500
Provision/(Reversal of provision) for unrealised loss on other trading investments	150	(25)
Deficit on revaluation of investment properties	60	200
Gain on disposal/dilution of interests in subsidiaries	(56,993)	(99,992)
Gain on disposals of other trading investments	–	(11,564)
Reversal of goodwill previously taken to reserve upon disposal of a subsidiary	74	–
Dividends received from other trading investments	(32)	(74)
Interest income	(16,425)	(8,691)
Depreciation of fixed assets	34,822	34,456
Amortisation and written off of deferred expenditure	–	5,086
Loss on disposals of fixed assets	2,386	2,366
(Increase)/decrease in inventories	(11,079)	1,089
Decrease in accounts receivable, deposits and prepayments	29	6,458
Increase in accounts payable and accrued charges	19,320	7,342
	<u>86,971</u>	<u>109,614</u>
Net cash inflow from operating activities	<u>86,971</u>	<u>109,614</u>

## (b) Analysis of changes in financing during the year

	Share capital and share premium		Bank loans and trust receipts loans		Obligations under finance leases	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st April	628,349	626,102	124,654	159,678	–	–
Exchange differences	–	–	(480)	–	–	–
Net cash outflow from financing	–	–	(31,778)	(35,024)	–	–
Shares issued on exercise of share options	650	2,247	–	–	–	–
Inception of finance leases	–	–	–	–	7,884	–
	<u>628,999</u>	<u>628,349</u>	<u>92,396</u>	<u>124,654</u>	<u>7,884</u>	<u>–</u>
At 31st March	<u>628,999</u>	<u>628,349</u>	<u>92,396</u>	<u>124,654</u>	<u>7,884</u>	<u>–</u>

## 22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

## (c) Disposal/dilution of interests in subsidiaries

	2001 HK\$'000
Net assets disposed of:	
Intangible asset	35,000
Inventories	4,548
Accounts receivable, deposits and prepayments	31,329
Cash ( <i>Note (d)</i> )	4,060
Accounts payable and accrued charges	(42,582)
Exchange reserve	943
	<hr/>
	33,298
Gain on disposal/dilution of interests in subsidiaries	56,993
Minority interests	13,192
Investment in associated companies	(17,505)
Amount due from an associated company	(5,423)
	<hr/>
	80,555
	<hr/> <hr/>
Satisfied by:	
Cash, net of legal expenses	80,555
	<hr/> <hr/>

## (d) Net increase in cash from the disposal/dilution of interests in subsidiaries

	2001 HK\$'000
Cash consideration net of legal expenses ( <i>Note (c)</i> )	80,555
Less: Cash in subsidiaries disposed of	(4,060)
	<hr/>
	76,495
	<hr/> <hr/>

## (e) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$7,884,000 (2000: Nil).

## 23 BANKING FACILITIES AND PLEDGE OF ASSETS

At 31st March 2001, the Group's trust receipts loans, bank loans and overdrafts are secured by the following:

- (a) certain machinery and printing equipment with net book value of HK\$28,456,000 at 31st March 2001 (*Note 11*);
- (b) first legal charges on certain of the Group's freehold and leasehold land and buildings and investment properties with an aggregate carrying value of HK\$297,399,000 at 31st March 2001 (*Note 11*) and assignment of rental income derived therefrom;
- (c) first legal charges on the Group's publishing titles at an aggregate carrying value of HK\$600,000,000 at 31st March 2001 (*Note 10(a)*);
- (d) general security agreements under which all the assets of certain subsidiaries with net book value of HK\$62,173,000 at 31st March 2001 (including HK\$16,610,000 attributable to freehold properties disclosed under *Note (b)* above) were pledged to certain banks;
- (e) certain bank deposits and accounts receivable of a subsidiary totalling HK\$790,400 at 31st March 2001; and
- (f) corporate guarantees issued by the Company.

## 24 DEFERRED TAXATION

Analysis of provision for deferred taxation and potential deferred taxation assets:

	Group			
	2001		2000	
	Potential assets/ (liabilities) HK\$'000	Provision made HK\$'000	Potential assets/ (liabilities) HK\$'000	Provision made HK\$'000
Accelerated capital allowances	(12,062)	–	(7,392)	–
Tax losses	23,474	–	32,058	–
Others	–	–	343	–
	<u>11,412</u>	<u>–</u>	<u>25,009</u>	<u>–</u>

- (a) Potential deferred taxation assets and liabilities have not been recognised in the accounts as it is uncertain whether these amounts will crystallise in the foreseeable future.
- (b) The revaluation of the Group's properties does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a taxation liability.



## 25 COMMITMENTS

### (a) Operating lease commitments

At 31st March 2001, the Group had commitments to make payments in the next twelve months under operating leases for office and warehouse premises which expire as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within the first year	2,335	1,268
In the second to fifth year inclusive	3,147	4,203
	<u>5,482</u>	<u>5,471</u>

### (b) Financial commitments

At 31st March 2001, the Group was committed to advance to an associated company an amount of HK\$3,900,000 (2000: HK\$3,900,000) for investment purposes.

## 26 CONTINGENT LIABILITIES

At 31st March 2001, the Company had contingent liabilities in respect of guarantees given in favour of certain of its subsidiaries totalling HK\$119,747,000 (2000: HK\$85,623,000) in consideration of general banking facilities granted to those subsidiaries. Such facilities utilised at 31st March 2001 amounted to HK\$58,792,000 (2000: HK\$42,977,000).

## 27 ULTIMATE HOLDING COMPANY

The directors regard Conch Company Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company.

## 28 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 5th July 2001.

## 29 PARTICULARS OF PRINCIPAL SUBSIDIARIES

- (a) At 31st March 2001, particulars of the Company's principal subsidiaries that are incorporated in Hong Kong are as follows:

<u>Name of subsidiary</u>	<u>Issued and fully paid share capital</u>	<u>Effective equity interest</u>	<u>Nature of business</u>
		%	
<i>Indirect subsidiaries:</i>			
Centricon Enterprises Limited	HK\$2	100	Property investment
Charming Holidays Limited	HK\$500,000	100	Provision of travel and travel related services
Charming Holidays (North America) Limited	HK\$2	100	Investment holding
Charming Online Travel Limited	HK\$800,000	94.1	Provision of travel and travel related services
Cheerlane Development Limited	HK\$2	100	Property investment
Holgain Limited	HK\$20	100	Property investment
Intelligent Printing Limited	HK\$2	100	Investment holding
Intelligent Publications (China) Limited	HK\$1,000,000	100	Investment holding
Kin Ming Printing Company Limited	HK\$10,000	100	Provision of printing services
Lisport Company Limited	HK\$1,650,000	100	Magazine publisher
Maribo Brief Limited	HK\$2	100	Property investment
Ming Pao Holdings Limited	Ordinary HK\$900,000 Deferred HK\$100,000	100	Investment holding
Ming Pao Magazines Limited	HK\$10	100	Magazines publisher
Ming Pao Newspapers Limited	HK\$2	100	Newspaper publisher
Ming Pao Publications Limited	HK\$10	100	Books publisher
Mingpao.com Limited	HK\$2	88.2	Provision of Internet services
Perfect Gain Development Limited	HK\$2	100	Property investment

## 29 PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

(b) At 31st March 2001, particulars of the Company's principal subsidiaries that are incorporated outside Hong Kong are as follows:

Name of subsidiary	Place of establishment/ operation	Issued and fully paid share capital	Effective equity interest	Nature of business
			%	
<i>Direct subsidiary:</i>				
Ming Pao International Investment Limited	British Virgin Islands	US\$10	100	Investment holding
<i>Indirect subsidiaries:</i>				
Delta Tour & Travel Services (Canada), Inc.	Canada	CAD\$530,000	99.82	Provision of travel and travel related services
Delta Tour & Travel Services, Inc.	The United States of America	US\$300,500	99.9	Provision of travel and travel related services
Delta Tour & Travel Services (New York), Inc.	The United States of America	US\$10,000	99.9	Provision of travel and travel related services
First Collection Limited	British Virgin Islands	US\$1	100	Investment holding
Guangzhou Kin Ming Printing Limited*	The Mainland China	HK\$25,000,000	100	Provision of printing services
Ming Pao Finance Limited	British Virgin Islands	US\$10	100	Publishing titles holding
Ming Pao Holdings (Canada) Limited	Canada	CAD\$1	100	Investment holding
Ming Pao Newspapers (Canada) Limited	Canada	CAD\$11	100	Newspaper publisher
Ming Pao (New York) Inc.	The United States of America	US\$1	100	Newspaper publisher
Mingpao.com Holdings Limited	Cayman Islands	HK\$79,572	88.2	Investment holding

*Note:* All companies operate in their respective places of incorporation or establishment, except for Ming Pao International Investment Limited, Ming Pao Finance Limited, Mingpao.com Holdings Limited and First Collection Limited, which operate principally in Hong Kong.

\* *The subsidiary was established in The Mainland China in the form of a wholly foreign owned company. The subsidiary adopted an accounting date of 31st December. The directors consider that the subsidiary's financial year could not be co-terminus with that of the Company for the reason of compliance with local regulations.*

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