Notes to the Accounts

1 Basis of Preparation

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 ("HKSA"). They have been prepared under historical cost convention, except that, as disclosed in accounting policies below, land and buildings are stated at fair value.

In the current year, the Group adopted the following new or revised Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which became effective during the financial year and which were applicable to the Group:

SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the principal accounting policies below. As explained in notes 2(d)(i) and (ii), the adoptions of SSAP 29 and 31 had a significant financial impact on the accounts.

2 Principal Accounting Policies

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

(a) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

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.

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

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

2 Principal Accounting Policies (continued)

(a) Consolidation (continued)

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

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) 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 in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets or liabilities of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation and impairment losses) on acquisition.

The gain or loss on disposal of an associated company, representing the difference between the net sales proceeds and the Group's share of its net assets or liabilities at the date of disposal, together with any unamortised goodwill/negative goodwill or goodwill/negative goodwill taken to reserves, which was not previously charged or recognised in the consolidated profit and loss account.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

In the Company's balance sheet, the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(c) Revenue Recognition

(i) Sales of magazines and newspapers are recognised on the date of publication net of an allowance for unsold copies.

(ii) Sales of books and other publications are recognised on the date of delivery to customers.

(iii) Magazines and newspaper advertising income is recognised upon the publication of the magazines and newspaper in which the advertisement is placed.

(iv) Revenue from the provision of printing and reprographic services is recognised upon the provision of the services.

2 Principal Accounting Policies (continued)

(c) Revenue Recognition (continued)

(v) Internet advertising income is recognised on a straight-line basis over the period during which the advertisement is displayed.

(vi) Sales of waste materials are recognised on the date of delivery of the waste materials.

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

(viii) Revenue for editorial service is recognised when the service is rendered.

(d) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the purchase consideration over the fair values ascribed to the net assets of the acquired businesses, subsidiaries and associated companies at the date of acquisition.

In accordance with the Group's accounting policy, in prior years goodwill was taken directly to the capital reserves at the year of acquisition without subsequent amortisation. With the adoption of SSAP 30, goodwill arising on acquisitions is required to be included in intangible assets and amortised over its estimated useful life. The Group has taken advantage of the transitional provision of SSAP 30 not to restate the goodwill, arising from acquisitions prior to 1 January 2001, which was taken directly to reserves.

Under SSAP 31 and Interpretation No.13, "Goodwill - continuing requirements for goodwill and negative goodwill previously eliminated against / credited to reserves", the carrying amount of goodwill (including goodwill that has previously been taken directly to reserves and not restated in accordance with the transitional provision in SSAP 30), has to be reviewed if there is an indication of impairment, and any impairment has to be dealt with in the consolidated profit and loss account in the year when the impairment is determined to have occurred.

As of 31 March 2001, the total amount of goodwill arising from previous acquisitions of businesses and charged to reserves under the Group's then accounting policy was HK$725.64 million. The directors consider that the goodwill had been impaired as at that date to the extent of HK$710.08 million and accordingly adjustments have been made in the consolidated profit and loss account for the respective periods in which the impairment is considered to have occurred. The effect of this change in accounting policy had been applied retrospectively, giving rise to a restatement of the consolidated profit and loss account for the year ended 31 March 2001 for an impairment loss for goodwill of HK$482.16 million. The Group's accumulated losses as at 1 April 2000 and 2001 have increased by HK$227.92 million and HK$710.08 million respectively representing the cumulative effects of this change in accounting policy at these dates.

2 Principal Accounting Policies (continued)

(d) Intangible Assets (continued)

(ii) Masthead and Publishing Rights

In prior years, the masthead and publishing rights of the Group's magazines were stated at valuation without amortisation. With the adoption of SSAP 29, intangible assets are no longer allowed to be stated at valuation if there is no active market for these assets. Accordingly, the masthead and publishing rights held by the Group are required to be stated at cost less accumulated amortisation and accumulated impairment losses, with amortisation calculated on a straight-line basis over their useful lives. In this regard, the directors are of the opinion that the useful lives of the masthead and publishing rights are 20 years from the date of acquisition.

The effect of this change in accounting policy had been applied retrospectively to restate the consolidated profit and loss account for the year ended 31 March 2001 by an amortisation charge of masthead and publishing rights of HK$10.50 million and decrease the corresponding balance of the masthead and publishing rights as at 1 April 2001 by HK$15.19 million. The Group's accumulated losses as at 1 April 2000 and 2001, as a result, have increased by HK$4.69 million and HK$15.19 million respectively representing the cumulative effects of this change in accounting policy at these dates.

Where an indication of impairment exists, the carrying amount of masthead and publishing rights is assessed and written down immediately to its recoverable amount.

(e) Fixed Assets

Fixed assets, other than land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

Land and buildings are stated at valuation less accumulated depreciation and, where necessary, accumulated impairment losses. Independent valuations are performed every three years. In the intervening years, the directors review the carrying values of the land and buildings and adjustment is made where there has been a material change. Increases in valuation are credited to the property valuation reserve. Decreases in valuation are first offset against increases from earlier valuations in respect of the same property and are thereafter charged to operating profit. Any subsequent increases are credited to operating profit up to the amount previously charged. Upon the disposal of land and building, the relevant portion of the revaluation reserve then realised in respect of previous valuations is transferred from the revaluation reserve to retained earnings as a movement in reserves.

2 Principal Accounting Policies (continued)

(e) Fixed Assets (continued)

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease of 50 years while other tangible fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2 – 4%
Leasehold improvements	20 – 33.33%
Plant and machinery	6.67 – 10%
Furniture, fixtures and equipment	4 – 33.33%
Motor vehicles	20%

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.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the values of fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset 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. Any revaluation reserve balances remaining attributable to the relevant asset are transferred to retained earnings as movements in reserves.

(f) Assets Held under Leases

(i) Finance Leases

Leases that substantially transfer to the Group all the rewards and risks of ownership of assets, other than legal title, 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 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 lease periods.

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

2 Principal Accounting Policies (continued)

(f) Assets Held under Leases (continued)

(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.

Commitments under operating leases as at 31 March 2001 as set out in note 28(b) have been restated to comply with the enhanced disclosure requirements of SSAP 14 (revised).

(g) Inventories

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

(h) Accounts Receivable

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

(i) Cash and Cash Equivalents

Cash, net of bank overdrafts, and short-term investments, which are readily convertible into cash and have original maturities of three months or less at the date of acquisition, are classified as cash and cash equivalents.

(j) Contingent Liabilities and Contingent Assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, a provision or liability will be recognised.

A contingent asset is a potential asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recongnised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

2 Principal Accounting Policies (continued)

(k) 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.

(l) Translation of Foreign Currencies

Transactions in foreign currencies are recorded 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 all overseas subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences thus arising are dealt with as movements in reserves.

(m) Finance Costs

All finance costs are charged to the profit and loss account in the year in which they are incurred.

(n) Segment Reporting

In accordance with the Group's internal financial reporting practices, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain bank borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through acquisition of subsidiaries.

In respect of geographical segment reporting, reported sales reflect the country in which the customer is located. The analyses of total assets and capital expenditure reflect the location of the assets.

3 Turnover and Revenue

The Group is engaged in the provision of printing and reprographic services, the publication of books, magazines and newspaper, the delivery of internet content and the sale of advertising space in books, magazines, newspaper and on websites. Revenues recognised during the year are as follows:

	2002 HK$'000	2001 HK$'000
Turnover		
Sales of newspaper	195,578	–
Sales of books and magazines	206,888	65,820
Newspaper advertising income	348,117	–
Books and magazines advertising income	207,961	91,722
Printing and reprographic services	151,688	186,204
Internet content provision and advertising income	10,644	6,690
	1,120,876	350,436
Other revenues		
Sales of waste materials	6,828	2,515
Sales of other publications	5,650	1,471
Interest income on bank deposits	4,319	5,516
Editorial Services	806	581
Others	2,505	3,104
	20,108	13,187
Total revenues	1,140,984	363,623

4 Segmental Information

The Group's major business segments and their corresponding countries of operations are summarised below:

Business segment	Countries of operations
Books and magazines publication	Hong Kong and Taiwan
Newspaper publication	Hong Kong
Books and magazines printing	Hong Kong, North America, Europe and Australasia
Newspaper printing	Hong Kong
Internet content provision and advertising	Hong Kong

All transactions between the business segments are charged at market rates.

4 Segmental Information (continued)

Analysis of business segment results for the year ended 31 March 2002

	Books and magazines publication HK$'000	Newspaper publication HK$'000	Newspaper printing HK$'000	Books and magazines printing HK$'000	Internet content provision and advertising HK$'000	Elimination of inter-segment transactions HK$'000	Group HK$'000
Turnover	414,849	543,695	129,202	218,208	10,644	(195,722)	1,120,876
Segment results	(98,530)	104,057	56,277	13,319	(31,671)	–	43,452
Other revenues							20,108
Operating profit							63,560
Finance costs							(9,659)
Profit before taxation							53,901
Taxation							(27,085)
Profit after taxation							26,816
Minority interests							(267)
Profit attributable to shareholders							26,549
Segment assets	816,563	1,527,079	917,043	333,745	4,825	(35,241)	3,564,014
Investments in associated companies							(830)
Total assets							3,563,184
Segment liabilities	(71,295)	(84,372)	(38,400)	(34,694)	(3,959)	35,241	(197,479)
Unallocated liabilities							(317,918)
Total liabilities							(515,397)
Capital expenditure	(310,117)	(1,052,033)	(828,822)	(1,343)	(665)	–	(2,192,980)
Depreciation	(9,384)	(5,959)	(23,538)	(18,904)	(8,929)	–	(66,714)
Amortisation	(16,374)	(21,361)	–	–	–	–	(37,735)
Impairment loss	–	–	–	–	(9,468)	–	(9,468)
Other non-cash expenses	(2,137)	(3,302)	(267)	(8,109)	(7,366)	–	(21,181)

4 Segmental Information (continued)

Analysis of business segment results for the year ended 31 March 2001 (as restated – note 2(d))

	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet content provision and advertising HK$'000	Elimination of inter-segment transactions HK$'000	Group HK$'000
Turnover	157,542	228,086	6,690	(41,882)	350,436
Segment results	29,270	10,292	(649,931)	–	(610,369)
Other revenues					13,187
Operating loss					(597,182)
Finance costs					(27,506)
Share of losses of associated companies					(6,987)
Loss before taxation					(631,675)
Taxation					(6,758)
Loss after taxation					(638,433)
Minority interests					(25)
Loss attributable to shareholders					(638,458)
Segment assets	247,092	370,547	27,877	(1,187)	644,329
Investments in associated companies					(830)
Total assets					643,499
Segment liabilities	(14,191)	(44,448)	(4,686)	1,187	(62,138)
Unallocated liabilities					(354,458)
Total liabilities					(416,596)
Capital expenditure	(6,244)	(3,771)	(39,015)	–	(49,030)
Depreciation	(1,362)	(16,484)	(14,580)	–	(32,426)
Amortisation	(10,500)	–	–	–	(10,500)
Impairment loss	–	–	(488,711)	–	(488,711)
Other non-cash expenses	–	(3,347)	(2,831)	–	(6,178)

4 Segmental Information (continued)

Secondary reporting format – geographical segments

	2002 Turnover HK$'000	2002 Segment results HK$'000	2001 Turnover HK$'000	2001 Segment results HK$'000 (as restated – note 2(d))
Hong Kong	959,238	152,708	284,448	(606,552)
Taiwan	101,049	(114,794)	–	(9,447)
North America	34,362	1,414	27,011	2,623
Europe	17,882	2,793	19,445	1,750
Australasia	8,345	1,331	19,532	1,257
	1,120,876	43,452	350,436	(610,369)
Other revenues		20,108		13,187
Operating profit/(loss)		63,560		(597,182)

	2002 Total assets HK$'000	2002 Capital expenditure HK$'000	2001 Total assets HK$'000 (as restated – note 2(d))	2001 Capital expenditure HK$'000
Hong Kong	3,512,712	2,181,292	620,938	44,014
Taiwan	46,710	11,349	15,311	4,724
North America	4,592	339	8,080	292
	3,564,014	2,192,980	644,329	49,030
Investments in associated companies	(830)		(830)	
Total assets	3,563,184		643,499	

5 Other Expenses

	2002 HK$'000	2001 HK$'000
Loss on termination of investment in Igloo	–	38,230
Loss on disposal of investment in an associated company	–	8
Impairment loss on fixed assets	9,468	6,551
Loss on disposal of fixed assets	7,130	2,527
	16,598	47,316

6 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging the following:

	2002 HK$'000	2001 HK$'000
Auditors' remuneration	1,998	1,000
Depreciation:		
Assets owned by the Group	66,714	31,929
Assets held under finance leases	–	497
Exchange loss, net	4,061	1,521
Staff costs (excluding retirement benefits)	403,956	177,777
Cost of raw materials consumed in production	352,868	98,117
Provision for bad and doubtful debts	12,191	3,651
Operating lease expenses on:		
Properties	12,064	2,184
Other assets	6,117	11,427
Retirement benefit scheme contributions, net of contributions forfeited by employees of HK$2,851,000 (2001: HK$2,136,000)	5,224	2,862

7 Finance Costs

	2002 HK$'000	2001 HK$'000
Interest expenses on:		
– Bank borrowings	9,629	10,557
– Shareholder's loans	–	15,781
– Finance leases	30	286
– Convertible notes	–	882
	9,659	27,506

8 Taxation

The amount of taxation charged to the consolidated profit and loss account comprises:

	Note	2002 HK$'000	2001 HK$'000
Hong Kong profits tax		14,165	6,813
Under/(over) provision in prior years		137	(55)
Deferred taxation	25	12,783	–
		27,085	6,758

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year.

No overseas profits tax has been provided in the accounts since the subsidiaries operating in overseas countries have no assessable profit during the year.

Deferred taxation charge represents utilisation of tax loss of certain subsidiaries.

Deferred tax charge/(credit) for the year has not been recognised in respect of the following:

	2002 HK$'000	2001 HK$'000
Accelerated depreciation allowance	(1,578)	(9,130)
Tax losses	(16,829)	(17,875)
Other timing differences	(1,952)	(674)
	(20,359)	(27,679)

9 Profit/(Loss) for the Year

Included in the profit for the year of HK$26,549,000 (2001: loss of HK$638,458,000, as restated) is a loss of HK$104,933,000 (2001: HK$643,196,000) dealt with in the accounts of the Company.

10 Earnings/(Loss) per Share

The calculation of the basic and fully diluted earnings/(loss) per share is based on the profit for the year of HK$26,549,000 (2001: loss of HK$638,458,000, as restated). The calculation of basic earnings/(loss) per share is based on the weighted average of 899,708,677 ordinary shares (2001: 618,375,185 ordinary shares) in issue. The numbers of shares applied in the above calculation have been adjusted on a pro-forma basis as if the consolidation of shares as set out in note 21(a) had taken place before 1 April 2000.

The calculation of fully diluted earnings per share for the year ended 31 March 2002 is based on the weighted average of 899,708,677 ordinary shares in issue during the year plus the weighted average of 498,980,916 ordinary shares deemed to be issued at no consideration assuming all outstanding share options had been exercised and the preference shares had been converted into ordinary shares of the Company.

No diluted loss per share for the year ended 31 March 2001 has been presented as the effect of the exercise of the share options would be anti-dilutive to the result of that year.

11 Retirement Benefit Costs

The Group operates defined contribution retirement schemes ("HK Schemes") and a mandatory provident fund scheme ("MPF") for the eligible employees in Hong Kong.

The Group's and the employees' contributions to the HK Schemes are each set at 5% of the employees' salary including basic salary, commission and certain bonuses. The Group's contributions to these schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The Group's contribution to MPF are set at 5% of employees basic salaries up to a maximum of HK$1,000 per employee per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Both funds are established under trust with the assets of the funds held separately from those of the Group by independent trustees.

As at 31 March 2002, the Group had contributions payable under the MPF and the HK Schemes aggregating HK$420,000 (2001: HK$21,000), as included in the accounts payable and accrued charges under current liabilities in the consolidated balance sheet.

11 Retirement Benefit Costs (continued)

The Group also operates a defined benefit retirement scheme for its eligible employees in Taiwan ("Taiwan Scheme"). The liability is determined based on the value of the retirement scheme assets and estimates of the effects of future events on the actuarial present value of accrued pension obligations and is determined by a qualified actuary on a regular basis using the projected unit credit cost method. The contributions should not be less than 2% of the employees' salaries according to the Labor Standards Law. The assets of the scheme are held under a state-run trust separate from those of the Group.

Based on the actuarial valuation as at 31 March 2002, the pension liability under the Taiwan Scheme amounted to NT$5,580,000 (equivalent to HK$1,251,000), which has been included in the accounts payable and accrued charges under current liabilities in the consolidated balance sheet. The Taiwan Scheme had no asset at 31 March 2002, as contributions by the Group had not commenced as of that date.

12 Directors' and Senior Management's Emoluments

(a) Directors' Emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company for the year are as follows:

	2002 HK$'000	2001 HK$'000
Fees		
Executive Directors	433	289
Independent Non-executive Directors	200	278
Other emoluments – Executive Directors		
Salaries and benefits in kind	10,454	4,098
Retirement benefit scheme contributions	424	144
	11,511	4,809

During the year, 1,618,000 options were granted to a director under the 2000 Option Scheme.

The emoluments disclosed above include expenses of HK$1,350,000 (2001: HK$188,000) paid by the Group under two operating leases in respect of residential accommodation provided to an executive director in Hong Kong and Taiwan respectively.

12 Directors' and Senior Management's Emoluments (continued)

(a) Directors' Emoluments (continued)

The emoluments of the directors fell within the following bands:

	Number of Directors	
Emolument bands	2002	2001
HK$Nil – HK$1,000,000	5	9
HK$1,000,001 – HK$1,500,000	3	2
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$2,500,000	2	–

(b) Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2001: three) directors, whose emoluments are included in the analysis presented above. The emoluments payable to the remaining one (2001: two) highest paid individual for the year are as follows:

	2002 HK$'000	2001 HK$'000
Salaries and benefits in kind	1,467	2,906
Retirement benefits scheme contributions	69	106
	1,536	3,012

The emoluments of these individuals fell within the following bands:

	Number of individuals	
Emolument bands	2002	2001
HK$Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	1	1
HK$1,500,001 – HK$2,000,000	–	1

(c) During the years ended 31 March 2002 and 2001, the Group has not paid any amounts to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(d) During the years ended 31 March 2002 and 2001, no director waived or agreed to waive any emoluments.

13 Intangible Assets

	Masthead and publishing rights HK$'000
At 1 April 2001, as previously reported	210,000
Effect of adopting SSAP 29 (note 2(d)(ii))	(15,189)
At 1 April 2001, as restated	194,811
Acquisition of subsidiaries (note 26(c))	1,307,274
Amortisation	(37,735)
At 31 March 2002	1,464,350
At 31 March 2002	
Cost	1,517,274
Accumulated amortisation	(52,924)
Net book value	1,464,350
At 31 March 2001	
Cost	210,000
Accumulated amortisation	(15,189)
Net book value	194,811

14 Fixed Assets

	Group					
	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 April 2001	201,022	14,902	223,722	50,555	354	490,555
Currency realignment	(10)	(6)	(48)	(6)	–	(70)
Additions	–	4,174	930	17,023	721	22,848
Acquisition of subsidiaries (note 26(c))	355,000	9,122	448,646	43,898	6,192	862,858
Disposals	–	(355)	(2,058)	(14,530)	(488)	(17,431)
Revaluations	(14,904)	–	–	–	–	(14,904)
Provision for impairment	–	–	–	(9,468)	–	(9,468)
At 31 March 2002	541,108	27,837	671,192	87,472	6,779	1,334,388
Accumulated depreciation						
At 1 April 2001	8,434	1,182	132,034	15,788	193	157,631
Currency realignment	(1)	(1)	(24)	(4)	–	(30)
Charge for the year	7,443	3,631	29,502	25,098	1,040	66,714
Disposals	–	(232)	(600)	(7,568)	(20)	(8,420)
Revaluations	(15,876)	–	–	–	–	(15,876)
At 31 March 2002	–	4,580	160,912	33,314	1,213	200,019
Net book value						
At 31 March 2002	541,108	23,257	510,280	54,158	5,566	1,134,369
At 31 March 2001	192,588	13,720	91,688	34,767	161	332,924

14 Fixed Assets (continued)

The analysis of the cost or valuation at 31 March 2002 of the above assets is as follows:

	Group					
	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	27,837	671,192	87,472	6,779	793,280
At valuation	541,108	–	–	–	–	541,108
	541,108	27,837	671,192	87,472	6,779	1,334,388

	Company			
	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
Cost or valuation				
At 1 April 2001	200,000	12,047	946	212,993
Additions	–	–	2	2
Disposals	–	–	(52)	(52)
Revaluation	(11,743)	–	–	(11,743)
At 31 March 2002	188,257	12,047	896	201,200
Accumulated depreciation				
At 1 April 2001	8,334	856	179	9,369
Charge for the year	4,173	241	185	4,599
Disposals	–	–	(13)	(13)
Revaluation	(12,507)	–	–	(12,507)
At 31 March 2002	–	1,097	351	1,448
Net book values				
At 31 March 2002	188,257	10,950	545	199,752
At 31 March 2001	191,666	11,191	767	203,624

14 Fixed Assets (continued)

The analysis of the cost or valuation at 31 March 2002 of the above assets is as follows:

	Company			
	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixture and equipment HK$'000	Total HK$'000
At cost	–	12,047	896	12,943
At valuation	188,257	–	–	188,257
	188,257	12,047	896	201,200

Except for the overseas freehold land and building with a net book value of HK$1,083,000 (2001: HK$922,000) held by a subsidiary of the Company, all remaining land and buildings of the Group are situated in Hong Kong and are held on leases of between 10 to 50 years.

As at 31 March 2002, the Group's and the Company's land and buildings were carried at directors' valuation, which was prepared by reference to a valuation performed by Chesterton Petty Limited, an independent valuer, at 30 June 2001, and taking into account subsequent depreciation, as follows:

	Group HK$'000	Company HK$'000
Leasehold land and buildings situated in Hong Kong valued on a depreciated replacement cost basis (note)	540,025	188,257
Freehold land and buildings situated outside Hong Kong valued on an open market basis	1,083	–
	541,108	188,257

Note: The leasehold land and buildings situated in Hong Kong are held by the Group under lease agreements dated 25 May 1999 and 22 December 1999 with the Hong Kong Science and Technology Parks Corporation ("HKSTP") (formerly known as "The Hong Kong Industrial Estates Corporation") which restrict the usage of the premises to the publishing and printing of magazines, directories and books. The Group's interests in the properties are transferable subject to the right of first refusal to purchase by HKSTP. Accordingly, the properties were valued on a depreciated replacement cost basis which is the aggregate of the land value in its existing use and the estimated replacement costs of the buildings.

The carrying amounts of land and buildings held by the Group and the Company would have been HK$576,488,000 (2001: HK$217,447,000) and HK$211,684,000 (2001: HK$216,094,000) respectively had they been stated at cost less accumulated depreciation.

14 Fixed Assets (continued)

At 31 March 2002, no fixed assets were held under finance leases (2001: HK$5,340,000).

At 31 March 2002, the Group's land and buildings with net book value of HK$540 million (2001: HK$192 million) and certain plant and machineries with an aggregate net book value of HK$93 million (2001: HK$20 million) were pledged as securities for the Group's banking facilities (note 24(a)).

15 Investments in Subsidiaries

	Company	
	2002 HK$'000	2001 HK$'000
Unlisted shares, at cost less provision	2,620,000	16,752
Amounts due from subsidiaries, net of provision	431,958	405,333
Amounts due to subsidiaries	(244,353)	(61,792)
	2,807,605	360,293

All amounts due from subsidiaries are unsecured and interest free, and have no fixed terms of repayment. Last year, amounts due from subsidiaries of approximately HK$185,640,000 were interest bearing at prime rate minus 1% per annum.

Except for amounts due to subsidiaries of approximately HK$54,000,000 which bear interest at prime rate minus 1% per annum, all other balances due to subsidiaries are interest free. All the balances are unsecured and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Group at 31 March 2002 are set out in note 30.

16 Investments in Associated Companies

	Group		Company	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Share of net liabilities	(5,758)	(5,758)	–	–
Amounts due from associated companies	4,928	4,928	11	11
	(830)	(830)	11	11
Unlisted shares, at cost	1,000	1,000	–	–

16 Investments in Associated Companies (continued)

The following is the principal associated company at 31 March 2002:

Name of associated company	Place of incorporation/ operation	Principal activities	Particulars of issued shares held	Interest held indirectly
China Capital Communications Corporation Limited	Hong Kong	Inactive	1,000,000 ordinary shares of HK$1 each	50%

17 Inventories, at Cost

	Group	
	2002 HK$'000	2001 HK$'000
Raw materials	60,943	18,148
Work in progress	2,660	1,628
Finished goods	294	–
	63,897	19,776

18 Accounts Receivable, Deposits and Prepayments

	Group		Company	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Accounts receivable, net	312,519	43,404	–	–
Prepayments	10,093	10,575	–	5,528
Rental and other deposits	3,589	2,387	18	246
Other	8,088	3,749	1,376	582
	334,289	60,115	1,394	6,356

The Group's sales are made on credit terms of 7 to 120 days.

18 Accounts Receivable, Deposits and Prepayments (continued)

At 31 March 2002 and 2001 the aging analysis of the accounts receivable of the Group was as follows:

	2002 HK$'000	2001 HK$'000
0 – 1 month	138,877	13,255
1 – 3 months	136,858	16,348
Over 3 months	72,520	26,277
	348,255	55,880
Less: Provisions for bad and doubtful debts	(35,736)	(12,476)
	312,519	43,404

19 Balances with Related Companies

The balances with related companies at 31 March 2001 were balances arising from the transactions with subsidiaries of Database Gateway Limited ("DGL"), which were unsecured, interest free, and to be settled within 30 days from the dates of transactions. Those related companies became the wholly owned subsidiaries of the Group upon the acquisition of DGL in October 2001, as set out in note 26(c). The equivalent balances were eliminated upon consolidation as at 31 March 2002.

20 Accounts Payable and Accrued Charges

	Group		Company	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Accounts payable	59,991	24,085	–	–
Others	140,107	37,676	8,026	7,920
	200,098	61,761	8,026	7,920

20 Accounts Payable and Accrued Charges (continued)

At 31 March 2002 and 2001, the aging analysis of accounts payable of the Group was as follows:

	2002 HK$'000	2001 HK$'000
0 – 1 month	33,707	9,672
1 – 3 months	20,548	7,909
Over 3 months	5,736	6,504
	59,991	24,085

21 Share Capital

		Authorised			
		2% Convertible non-voting non-cumulative preference shares ("Preference Shares")		Ordinary shares	
		No. of shares	HK$'000	No. of shares	HK$'000
At 1 April 2000, ordinary shares of HK$0.20 each		–	–	3,400,000,000	680,000
Increase in authorised share capital		–	–	1,100,000,000	220,000
At 31 March 2001, ordinary shares of HK$0.20 each		–	–	4,500,000,000	900,000
At 1 April 2001, ordinary shares of HK$0.20 each		–	–	4,500,000,000	900,000
Consolidation of ordinary shares	(a)	–	–	(3,600,000,000)	–
Increase in authorised share capital	(b)	1,160,000,000	2,030,000	1,670,000,000	1,670,000
At 31 March 2002, Preference Shares of HK$1.75 each and ordinary shares of HK$1.00 each		1,160,000,000	2,030,000	2,570,000,000	2,570,000

21 Share Capital (continued)

		Issued and fully paid			
		Preference Shares		Ordinary shares	
		No. of shares	HK$'000	No. of shares	HK$'000
At 1 April 2000, ordinary shares of HK$0.20 each		–	–	2,633,614,505	526,723
Conversion of convertible notes		–	–	233,333,333	46,667
Issue of new shares, ordinary shares of HK$0.20 each		–	–	362,318,840	72,464
Exercise of share options		–	–	8,927,132	1,785
At 31 March 2001, ordinary shares of HK$0.20 each		–	–	3,238,193,810	647,639
At 1 April 2001, ordinary shares of HK$0.20 each		–	–	3,238,193,810	647,639
Consolidation of ordinary shares	(a)	–	–	(2,590,555,048)	–
Issue of new shares	(c), (d)	1,160,000,000	2,030,000	586,022,414	586,022
At 31 March 2002, Preference Shares of HK$1.75 each and ordinary shares of HK$1.00 each		1,160,000,000	2,030,000	1,233,661,176	1,233,661

Total issued and fully paid share capital	2002 HK$'000	2001 HK$'000
Ordinary shares of HK$1.00 each (2001: ordinary shares of HK$0.20 each)	1,233,661	647,639
Preference Shares of HK$1.75 each (2001:Nil)	2,030,000	–
	3,263,661	647,639

(a) Pursuant to an ordinary resolution passed on 22 October 2001, every five ordinary shares of HK$0.20 each of the Company were consolidated into one share of HK$1.00 ("Consolidated Shares").

21 Share Capital (continued)

(b) Pursuant to an ordinary resolution passed on 22 October 2001, the authorised share capital of the Company was increased from HK$900,000,000 to HK$4,600,000,000 by the creation of 1,670,000,000 Consolidated Shares and 1,160,000,000 Preference Shares of HK$1.75 each.

The Preference Shares may be converted into ordinary shares at an initial conversion price of HK$1.75 per Consolidated Share (subject to adjustment) at any time during the conversion period, which is five years from the date of issue of the Preference Shares.

(c) 429,090,909 Consolidated Shares and 1,160,000,000 Preference Shares were issued and fully paid on 26 October 2001 at HK$1.375 each and at HK$1.75 each respectively as consideration for the acquisition of DGL (note 26(c)).

(d) 156,931,505 Consolidated Shares were issued and fully paid on 26 October 2001 at HK$1.375 each in repayment of shareholder's loans together with the related interest payable aggregating HK$215,781,000 owed by the Company to Mr. Lai (note 24(b)).

22 Share Option Schemes

Pursuant to the 1993 Option Scheme (the "Scheme"), the following options have been granted to employees of the Group to subscribe for shares in the Company in accordance with the terms of the Scheme. The options are exercisable within 10 years from the respective dates of grant. A summary of movements in share options under the Scheme during the year is as follows:

Exercise price	HK$4.21	HK$1.00	Total
At 1 April 2001 and 31 March 2002	71,136	81,505	152,641

The Scheme will expire on 19 September 2003. No further options will be granted under the Scheme. The exercise of any outstanding options granted under the Scheme shall continue to be governed by the terms of the Scheme and other specific terms and conditions in relation to the grant.

The 2000 Option Scheme was adopted by the Company on 29 December 2000. A summary of movement in share options under the 2000 Option Scheme during the year is as follows:

Exercise price	HK$1.67
At 1 April 2001	–
Granted during the year	25,310,000
At 31 March 2002	25,310,000

23 Reserves

	Note	Group Share premium HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
1 April 2000, as previously stated		203,438	251	(276)	(273,476)	(221,411)	(291,474)
Impairment of goodwill resulting from the adoption of SSAP 31	2(d)(i)	–	–	–	227,920	(227,920)	–
Amortisation of intangible assets resulting from the adoption of SSAP 29	2(d)(ii)	–	–	–	–	(4,689)	(4,689)
1 April 2000, as restated		203,438	251	(276)	(45,556)	(454,020)	(296,163)
Conversion of convertible notes		58,334	–	–	–	–	58,334
Premium on issue of shares		427,536	–	–	–	–	427,536
Issuing expenses		(3,318)	–	–	–	–	(3,318)
Exercise of share option		1,487	–	–	–	–	1,487
Currency realignment		–	–	(151)	–	–	(151)
Goodwill arising from acquisition of a subsidiary		–	–	–	(482,160)	–	(482,160)
Impairment of goodwill resulting from the adoption of SSAP 31		–	–	–	482,160	–	482,160
Goodwill written off upon termination of investment in Igloo		–	–	–	29,997	–	29,997
Loss for the year (as restated)		–	–	–	–	(638,458)	(638,458)
At 31 March 2001		687,477	251	(427)	(15,559)	(1,092,478)	(420,736)
Company and subsidiaries		687,477	251	(427)	(15,559)	(1,085,720)	(413,978)
Associated companies		–	–	–	–	(6,758)	(6,758)
At 31 March 2001		687,477	251	(427)	(15,559)	(1,092,478)	(420,736)

23 Reserves (continued)

		Group					
	Note	Share premium HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Goodwill reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
1 April 2001, as previously stated		687,477	251	(427)	(725,639)	(367,209)	(405,547)
Impairment of goodwill resulting from the adoption of SSAP 31	2(d)(i)	–	–	–	710,080	(710,080)	–
Amortisation of intangible assets resulting from the adoption of SSAP 29	2(d)(ii)	–	–	–	–	(15,189)	(15,189)
1 April 2001, as restated		687,477	251	(427)	(15,559)	(1,092,478)	(420,736)
Premium on issue of shares	21(c), (d)	219,759	–	–	–	–	219,759
Issuing expenses		(42,153)	–	–	–	–	(42,153)
Currency realignment		–	–	(203)	–	–	(203)
Surplus on revaluation		–	972	–	–	–	972
Minority interest's share of revaluation		–	(62)	–	–	–	(62)
Profit for the year		–	–	–	–	26,549	26,549
At 31 March 2002		865,083	1,161	(630)	(15,559)	(1,065,929)	(215,874)
Company and subsidiaries		865,083	1,161	(630)	(15,559)	(1,059,171)	(209,116)
Associated companies		–	–	–	–	(6,758)	(6,758)
At 31 March 2002		865,083	1,161	(630)	(15,559)	(1,065,929)	(215,874)

23 Reserves (continued)

	Note	Company Share premium HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2000		203,438	–	(465,411)	(261,973)
Conversion of convertible notes		58,334	–	–	58,334
Premium on issue of shares		427,536	–	–	427,536
Issuing expenses		(3,318)	–	–	(3,318)
Exercise of share options		1,487	–	–	1,487
Loss for the year		–	–	(643,196)	(643,196)
At 31 March 2001		687,477	–	(1,108,607)	(421,130)
At 1 April 2001		687,477	–	(1,108,607)	(421,130)
Premium on issue of shares	21(c), (d)	219,759	–	–	219,759
Issuing expenses		(42,153)	–	–	(42,153)
Surplus on revaluation		–	764	–	764
Loss for the year		–	–	(104,933)	(104,933)
At 31 March 2002		865,083	764	(1,213,540)	(347,693)

24 Long-term Liabilities

	Note	Group 2002 HK$'000	Group 2001 HK$'000	Company 2002 HK$'000	Company 2001 HK$'000
Loans					
Secured	(a)	249,780	108,440	84,780	108,440
Unsecured		–	219,905	–	215,781
		249,780	328,345	84,780	324,221
Finance lease obligations		–	973	–	–
		249,780	329,318	84,780	324,221
Current portion of long-term liabilities		(58,840)	(27,937)	(18,840)	(22,840)
		190,940	301,381	65,940	301,381
The analysis of the above is as follows:					
Bank loans, repayable					
– within one year		58,840	26,964	18,840	22,840
– in the second year		58,840	17,200	18,840	17,200
– in the third to fifth years, inclusive		132,100	68,400	47,100	68,400
		249,780	112,564	84,780	108,440
Shareholder's loans	(b)	–	215,781	–	215,781
Finance lease obligations, repayable within one year		–	973	–	–
		249,780	329,318	84,780	324,221
Less: current portion		(58,840)	(27,937)	(18,840)	(22,840)
Amount due after one year		190,940	301,381	65,940	301,381

24 Long-term Liabilities (continued)

(a) As at 31 March 2002, the Group's banking facilities are secured by the following:

- The Group's land and buildings with an aggregate net book value of approximately HK$540 million;
- The Group's printing machinery with an aggregate net book value of approximately HK$93 million; and
- The Group's deposits of approximately HK$3 million.

(b) The shareholder's loans as at 31 March 2001 represented the loans from Mr. Lai which were fully repaid by the issuance of 156,931,505 Consolidated Shares at HK$1.375 each, as set out in note 21(d).

25 Deferred Taxation

		Group		Company	
	Note	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
At 1 April		441	449	–	–
Currency realignment		(2)	(8)	–	–
Acquisition of subsidiaries	26(c)	45,624	–	–	–
Provision for the year	8	12,783	–	304	–
At 31 March		58,846	441	304	–
Tax effect of timing difference in relation to:					
Tax losses carried forward		(19,774)	(174)	–	–
Accelerated depreciation allowances		79,729	615	334	–
Other timing differences		(1,109)	–	(30)	–
		58,846	441	304	–

As at 31 March 2002, the Group has unrecognised potential deferred tax assets of HK$152,002,000 (2001: HK$82,615,000) arising from tax losses carried forward net of other timing differences. The potential deferred tax assets were not recognised as the directors consider it uncertain that they will crystallise in the foreseeable future.

26 Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of Operating Profit/(Loss) to Net Cash Inflow/(Outflow) from Operating Activities

	2002 HK$'000	2001 HK$'000 (As restated – note 2(d))
Operating profit/(loss)	63,560	(597,182)
Depreciation	66,714	32,426
Amortisation of intangible assets	37,735	10,500
Loss on disposal of fixed assets	7,130	2,527
Impairment of fixed assets	9,468	6,551
Impairment of goodwill	–	482,160
Loss on termination of investment in Igloo	–	38,230
Loss on disposal of investment in another associated company	–	8
Decrease/(increase) in inventories	29,700	(2,413)
Decrease/(increase) in accounts receivable, deposits and prepayments, and amounts due from related companies	119,210	(1,919)
Decrease in accounts payable and accrued charges and amounts due to related companies	(14,481)	(54,066)
Effect on foreign exchange rate changes	(181)	223
Interest income	(4,319)	(5,516)
Net cash inflow/(outflow) from operating activities	314,536	(88,471)

26 Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of Changes in Financing

2001

	Share capital HK$'000	Share premium HK$'000	Minority Interests HK$'000	Bank and other borrowings HK$'000	Obligation under finance leases HK$'000	Convertible notes HK$'000	Shareholder's loans HK$'000
Balance at 1 April 2000	526,723	203,438	2,097	138,202	4,008	105,000	–
Issue of new shares for acquisition of Apple Daily Online Limited ("ADOL")*	72,464	427,536	–	–	–	–	–
Share issuing expenses	–	(3,318)	–	–	–	–	–
Conversion of convertible notes*	46,667	58,333	–	–	–	(105,000)	–
Exercise of share options	1,785	1,488	–	–	–	–	–
New bank borrowings	–	–	–	4,124	–	–	–
New shareholder's loans granted	–	–	–	–	–	–	200,000
Accrued interest on shareholder's loans*	–	–	–	–	–	–	15,781
Repayment of bank borrowings	–	–	–	(29,762)	–	–	–
Repayment of obligations under finance leases	–	–	–	–	(3,035)	–	–
Repayment to minority shareholders	–	–	(157)	–	–	–	–
Minority share of profit for the year*	–	–	25	–	–	–	–
Exchange realignment*	–	–	146	–	–	–	–
Balance at 31 March 2001	647,639	687,477	2,111	112,564	973	–	215,781

* represent non-cash transactions

26 Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of Changes in Financing (continued)

	2002					
	Share capital HK$'000	Share premium HK$'000	Minority Interests HK$'000	Bank and other borrowings HK$'000	Obligation under finance leases HK$'000	Shareholder's loans HK$'000
Balance at 1 April 2001	647,639	687,477	2,111	112,564	973	215,781
Issue of new shares for acquisition of DGL*	2,459,091	160,909	–	–	–	–
Share issuing expenses	–	(42,153)	–	–	–	–
Capitalisation of shareholder's loans*	156,931	58,850	–	–	–	(215,781)
Acquisition of subsidiaries*	–	–	–	204,062	–	–
Repayment of bank and other borrowings	–	–	–	(66,846)	–	–
Repayment of obligations under finance leases	–	–	–	–	(973)	–
Repayment to minority shareholders	–	–	(96)	–	–	–
Minority share of profit for the year*	–	–	267	–	–	–
Minority interest's share on reserve*	–	–	62	–	–	–
Exchange realignment*	–	–	4	–	–	–
Balance at 31 March 2002	3,263,661	865,083	2,348	249,780	–	–

* represent non-cash transactions

26 Notes to the Consolidated Cash Flow Statement (continued)

(c) Acquisition of Subsidiaries

On 26 October 2001, the Group acquired the entire issued share capital of DGL from Mr. Lai and other persons for a consideration of HK$2,620,000,000 (the "Acquisition"). Details of the Acquisition are set out in the circular issued by the Company on 28 September 2001. During the year ended 31 March 2001, the Group acquired the entire issued share capital of ADOL.

	Acquisition of DGL 2002 HK$'000	Acquisition of ADOL 2001 HK$'000
Net assets acquired at fair value:		
Fixed assets	862,858	15,017
Intangible assets	1,307,274	–
Inventories	73,821	–
Accounts receivable, deposits and prepayments	317,980	2,858
Amounts due from related companies	61,174	–
Bank balances and cash	387,570	2,895
Accounts payable and accrued charges	(135,795)	(2,930)
Taxation payable	(5,196)	–
Deferred taxation	(45,624)	–
Long-term liabilities	(204,062)	–
	2,620,000	17,840
Goodwill	–	482,160
	2,620,000	500,000
Satisfied by:		
Issue of shares	2,620,000	500,000

The subsidiaries acquired during the year contributed HK$294,247,000 (2001: utilised HK$19,951,000) of the Group's net operating cash flow, paid HK$391,000 (2001: received HK$68,000) in respect of the net returns on investments and servicing of finance, paid HK$10,792,000 (2001: Nil) in respect of taxation, utilised HK$8,939,000 (2001: HK$3,599,000) for investing activities and utilised HK$39,063,000 (2001: Nil) for financing activities.

The net cash inflow in respect of the purchase of the subsidiaries represents the bank balances and cash of the subsidiaries acquired at the date of acquisition.

27 Contingent Liabilities

(a) Pending Litigations

As at 31 March 2002, the Group had contingent liabilities in respect of a number of litigation proceedings in Hong Kong and Taiwan arising in the normal course of its publishing business. In addition, the Group had a dispute with UDL Contracting Limited as contractor for the construction for the printing facilities of a subsidiary, namely Apple Daily Printing Limited, over amounts payable in respect of the construction of the facility, which is currently under arbitration. The final outcome of these proceedings is uncertain.

In connection with the Acquisition, Mr. Lai has undertaken to provide unlimited personal indemnities to the Company and DGL and its subsidiaries (the “Acquired Group”) against all payments, claims, suits, damages and settlement payments and any associated costs and expenses after 26 October 2001 arising out of or connected with (1) any third party claims made against the Acquired Group on and before 26 October 2001, (2) defamation claims, claims for infringement of intellectual property rights and other proceedings and claims which may in the future arise from the content of the newspaper and magazines published by the Acquired Group on and at any time before 26 October 2001 and (3) the dispute with UDL Contracting Limited (the “Indemnity”). In relation to the Indemnity, Mr. Lai also procured a bank guarantee of HK$60,000,000 for a term of three years from 26 October 2001, in favour of the Company and the Acquired Group in respect of the obligations of Mr. Lai under the Indemnity.

The Directors of the Company, having taken into consideration the advice from the Group’s legal counsels and the Indemnity given by Mr. Lai, are of the opinion that any ultimate liability under these proceedings would not have a material impact on the financial position of the Group.

(b) Guarantees

	Group		Company	
	2002 HK$’000	2001 HK$’000	2002 HK$’000	2001 HK$’000
Guarantees given to financial institutions in respect of credit facilities granted to and utilised by subsidiaries	–	–	190,700	5,560

28 Commitments

(a) Capital Commitments in Respect of Acquisition of Fixed Assets

	Group		Company	
	2002 HK$'000	2001 HK$'000	2002 HK$'000	2001 HK$'000
Contracted but not provided for	658	2,748	–	–

(b) Commitments under Operating Leases

At 31 March 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

At 31 March 2002

	Land and buildings HK$'000	Other assets HK$'000	Total HK$'000
Not later than one year	13,585	7,418	21,003
Later than one year but not later than five years	1,784	1,254	3,038
	15,369	8,672	24,041

At 31 March 2001

	Land and buildings HK$'000	Other assets HK$'000	Total HK$'000
Not later than one year	7,237	3,349	10,586
Later than one year but not later than five years	5,676	312	5,988
	12,913	3,661	16,574

29 Related Party Transactions

In addition to those disclosed in notes 19, 21(c), 21(d) and 24(b), the Group had the following material transactions with related parties:

	Nature and terms of transactions	Revenue/ (Expenses or payments) 2002 HK$'000	2001 HK$'000
(a)	Transactions with Mr. Lai:		
	Interest payable on shareholder's loans from Mr. Lai calculated at prime rate minus 1% per annum	–	(15,781)
(b)	Transactions with Igloo:		
	Interest receivable on loans to Igloo calculated at prime rate	–	139
(c)	Transactions with Next International and its subsidiaries prior to 26 October 2001:		
	Interest on convertible notes payable to Next International calculated at HIBOR plus 2% per annum	–	(882)
	Printing income at market rate	43,055	69,255
	Colour separation charge payable at market rate	(1,287)	(3,107)
	Advertising expenses payable at market rate	–	(2,400)
(d)	Transactions with ADL and its subsidiaries prior to 26 October 2001:		
	Printing income at market rate	1,161	2,835
	Sales of fixed assets at market value	258	–
	Advertising expense paid at market rate	(396)	(12,134)
(e)	Transactions with AD Marketing Limited ("AD Marketing"):		
	Printing income at market rate	–	426
	Rental income for office space at a rate of HK$6.50 per square foot per month	–	636
	Purchase of fixed assets at market price	–	(234)
	Purchase of air-tickets and travel expenses at market rate	–	(253)
	Income from provision of information technology service at market rate	–	445

AD Marketing is a company controlled and beneficially owned by Mr. Lai. Prior to 26 October 2001, when the Company acquired the entire share capital of DGL, Next International and ADL were related companies to the Company.

30 Particulars of Principal Subsidiaries

Particulars of principal subsidiaries of the Group at 31 March 2002 are as follows:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up share capital	Interest held (%)	Note
Apple Daily I.P. Limited	British Virgin Islands/ Hong Kong	Holding of masthead and publishing rights of newspaper	1 ordinary share of US$1	100	
Apple Daily Limited	Hong Kong	Publication and selling of newspaper	200,000,000 ordinary shares of HK$0.01 each	100	
Apple Daily Online Limited	Hong Kong	Provision of internet contents and selling of advertising space	2 ordinary shares of HK$1 each	100	
Apple Daily Printing Limited	Hong Kong	Printing of newspaper	100,000,000 ordinary shares of HK$1 each	100	
Cameron Printing Company Limited	Hong Kong	Hire of plant and machinery	5,000,000 ordinary shares of HK$1 each	100	(a)
Database Gateway Limited	British Virgin Islands	Investment holding	739,001,531 ordinary shares of HK$1 each	100	(a)
Easy Finder Limited	Hong Kong	Publication and selling of magazines	10,000 ordinary shares of HK$1 each	100	
Easy Finder Marketing Limited	Hong Kong	Selling of magazine advertising space	20,000,000 ordinary shares of HK$1 each and 855,000,000 ordinary shares of HK$0.01 each	99.67	
Easy Media Limited	British Virgin Islands/ Hong Kong	Holding of masthead and publishing rights of magazines	11,000 ordinary shares of US$1 each	100	
Eat and Travel Weekly Company Limited	Hong Kong	Publication and selling of magazines	2 ordinary shares of HK$1 each	100	

30 Particulars of Principal Subsidiaries (continued)

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up share capital	Interest held (%)	Note
Job Finder Limited	Hong Kong	Selling of magazine advertising space	10,000 ordinary shares of HK$1 each	100	
Next Magazine Advertising Limited	Hong Kong	Selling of magazine advertising space	1,000 ordinary shares of HK$1 each	100	
Next Magazine Publishing Limited	Hong Kong	Publication of magazines	1,000 ordinary shares of HK$1 each	100	
Next Media Group Management Limited	Hong Kong	Provision of management services	1,000 ordinary shares of HK$1 each	100	
Next Media I.P. Limited	British Virgin Islands/ Hong Kong	Holding of masthead and publishing rights of magazines	1,000 ordinary shares of HK$1 each	100	
Next Media Interactive Limited	British Virgin Islands/ Hong Kong	Provision of internet contents and selling of advertising space	10,001 ordinary shares of US$1 each	100	
Next Media Publishing Limited	Hong Kong/ Taiwan	Publication and selling of magazines	2 ordinary shares of HK$1 each	100	
Paramount Printing Company Limited	Hong Kong	Provision of printing services	15,000 ordinary shares of HK$100 each	100	(a)
Rainbow Graphic & Printing Company Limited	Hong Kong	Provision of printing and reprographic services	600,000 ordinary shares of HK$1 each	100	
Sudden Weekly Limited	Hong Kong	Publication and selling of magazines	2 ordinary shares of HK$1 each	100	

The above table includes 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 net assets of the Group.

30 Particulars of Principal Subsidiaries (continued)

Notes:

(a) These subsidiaries were directly held by the Company.

(b) The accounts of certain overseas subsidiaries have not been audited by PricewaterhouseCoopers. The aggregate net liabilities and loss for the year of these subsidiaries attributable to the Group amounted to approximately HK$17,112,000 and HK$1,281,000 respectively.

31 Subsequent Events

(a) On 12 April 2002, Next Media Publishing Limited ("NMPL"), a wholly owned subsidiary of the Company obtained a bank term loan facility of NT$600,000,000 (equivalent to HK$136,800,000).

(b) In mid-April 2002, the Group entered into separate agreements with an independent third party to acquire building premises as its headquarters in Taiwan for the development of *Taiwan Next Magazine* and the proposed development of its newspaper business in Taiwan for considerations of NT$780,000,000 (equivalent to HK$177,840,000).

(c) On 2 May 2002, Apple Daily Publication Development Limited ("Apple Daily Publication"), a wholly owned subsidiary of the Company entered into an agreement with another independent third party to acquire certain printing equipment in preparation for the launching of the Group's newspaper business in Taiwan for a consideration of EUR40,000,000 (equivalent to HK$272,480,000).

(d) Also, in May and June 2002, Apple Daily Publication entered into separate agreements with independent third parties to acquire all interests, rights and benefits in two pieces of land in Taiwan, including all buildings and fixtures thereon for total considerations of NT$217,895,000 (equivalent to HK$49,680,000).

32 Approval of Accounts

The accounts were approved by the board of directors on 21 June 2002.