

## 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 have been 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 ("HKSA").

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st 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 accounting policies below.

### (b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st March. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half of 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, apart from the Group 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.

### 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (b) Consolidation (Cont'd)

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 (net of accumulated amortisation) or goodwill/negative goodwill taken to reserve and which was not previously charged or recognised in the consolidated profit and loss account.

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.

#### (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 and also goodwill (net of accumulated amortisation)/negative goodwill on acquisition.

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.

#### (d) Intangibles

##### (i) *Goodwill/negative goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition.

In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life of not exceeding 20 years.

**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(d) Intangibles (Cont'd)***(i) Goodwill/negative goodwill (Cont'd)*

Goodwill on acquisitions that occurred prior to 1st January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary or associated company at the date of acquisition over the cost of acquisition.

For acquisitions after 1st January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair value of the non-monetary assets acquired, is recognised in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair value of those non-monetary assets is recognised in the profit and loss account immediately.

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for acquisitions before 1st January 2001, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

*(ii) Publishing titles*

Prior to the year ended 31st March 2001, publishing titles were stated at cost or valuation. No amortisation was provided for in the financial statements.

In accordance with SSAP 29, internally generated publishing titles should not be recognised as intangible assets.

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### 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (d) Intangibles (Cont'd)

##### (ii) *Publishing titles (Cont'd)*

Previously the Group's internally generated principal publishing titles were stated at a value of HK\$600,000,000 based upon a valuation carried out by Arthur Andersen & Co., Certified Public Accountants, on 30th September 1995. The adoption of SSAP 29 represents a change in accounting policy and the effect of this change has been accounted for during the year as a prior year adjustment by setting off the publishing titles against the revaluation reserve by HK\$600,000,000. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Furthermore, SSAP 29 requires the Group's two purchased publishing titles previously included as intangible assets, amounting to HK\$10,000,000 and HK\$35,000,000, be amortised on a straight-line basis over their useful lives since their dates of purchase on 7th July 1992 and 15th January 1994 respectively. The estimated useful lives of the Group's purchased publishing titles are five years and they had been fully amortised by 31st March 1999. As a result, the profit for the year ended 31st March 2001 is increased by HK\$17,500,000 and the accumulated losses at 31st March 2001 and 31st March 2000 are increased by HK\$27,500,000 and HK\$45,000,000 respectively.

##### (iii) *Impairment of intangible assets*

Where an indication of impairment exists, the carrying amount of any intangible asset, including goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

#### (e) Fixed assets

##### (i) *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.

**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(e) Fixed assets (Cont'd)***(i) Investment properties (Cont'd)*

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.

The carrying value of investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

*(ii) Other properties*

Other properties are interests in freehold and leasehold land and buildings other than investment properties. Other properties are stated at cost or valuation. Valuation represented the fair value at the date of revaluation which was determined by the directors based on independent valuations which were performed every three years. The valuations were performed on an open market basis related to individual properties and separate values are not attributed to land and buildings. Increases in valuations are credited to the properties revaluation reserve. Decreases in valuations are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

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 80 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 over their expected useful lives to the Group, the principal annual rate used for this purpose is 2.5%.

**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(e) Fixed assets (Cont'd)***(ii) Other properties (Cont'd)*

Leasehold land and buildings, which are stated at cost or valuation, 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. The principal annual rate ranges from 2% to 2.6%.

*(iii) Other fixed assets*

Other fixed assets, comprising leasehold improvements, machinery and printing equipment, furniture and fixtures and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses. They are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	15% – 33.33% or over lease periods
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 conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

*(iv) Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other 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 except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(f) 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 their estimated useful lives.

*(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.

**(g) 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 trading investments are recognised in the profit and loss account. Profits or losses on disposals of other trading investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

**(h) Inventories**

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

**(i) 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.

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### 1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

#### (j) 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.

#### (k) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash net of bank overdrafts and short-term bank loans which are repayable within three months from the dates of advances. In the balance sheet, bank overdrafts and short-term bank loans are included in borrowings in current liabilities. Cash equivalents are carried in the balance sheet at cost.

#### (l) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a legal or constructive obligation as a result of past events. It is probable that an outflow of resources will be required to settle the obligation, and that a reliable estimate of the amount can be made.

#### (m) 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.

#### (n) 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 the services.



**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(n) Revenue recognition (Cont'd)**

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

Management fee income and commission income are recognised on an accrual basis.

Operating lease rental income is recognised on a straight-line basis.

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

**(o) 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 balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as movements in reserves.

**(p) Segment reporting**

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

Unallocated expenses represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, inventories, receivables and operating cash, and mainly exclude other trading investments, tax recoverable and corporate bank balances and cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions of fixed assets.

In respect of geographical segment reporting, revenues and results are attributed to the segments based on the location of the customers. Total assets and capital expenditure are attributed to the segments based on the location of the assets.

**(q) Dividends**

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

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**1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)****(q) Dividends (Cont'd)**

As detailed in note 20, this change has resulted in an increase in opening retained earnings at 1st April 2001 by HK\$43,158,000 (1st April 2000: increased by HK\$11,762,000) which is the reversal of the provisions for 2001 special and proposed final dividends (1st April 2000: reversal of the provision for 2000 proposed final dividend) previously recorded as liabilities at 31st March 2001 (31st March 2000) but declared after the balance sheet date.

**(r) Comparative figures**

Due to the adoption of the new and revised SSAPs during the year, certain comparative figures have been restated to conform with the current year's presentation.

**2 TURNOVER, REVENUES AND SEGMENT INFORMATION**

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

	2002 HK\$'000	2001 HK\$'000
Turnover		
Sales of newspapers, periodicals and books, net of trade discounts and returns	206,414	228,069
Advertising income, net of trade discounts	501,458	598,703
Travel and travel related services income	336,283	391,568
	<u>1,044,155</u>	<u>1,218,340</u>
Other revenues		
Rental and management fee income	1,381	892
Interest income	7,307	16,425
Dividend income	25	32
Commission income	1,451	1,504
	<u>10,164</u>	<u>18,853</u>
Total revenues	<u><u>1,054,319</u></u>	<u><u>1,237,193</u></u>

**2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Cont'd)**

An analysis of the Group's turnover and results for the year is as follows:

**Business segments:**

	Publishing 2002 HK\$'000	Travel and travel related services 2002 HK\$'000	Internet businesses (note) 2002 HK\$'000	Elimination 2002 HK\$'000	Group 2002 HK\$'000
Turnover					
– External sales	695,859	300,186	48,110	–	1,044,155
– Inter-segment sales	–	26,320	–	(26,320)	–
	<u>695,859</u>	<u>326,506</u>	<u>48,110</u>	<u>(26,320)</u>	<u>1,044,155</u>
Segment results	<u>28,043</u>	<u>(557)</u>	<u>(22,868)</u>		4,618
Interest income					7,307
Unallocated expenses					<u>(1,217)</u>
Operating profit					10,708
Finance costs					<u>(6,954)</u>
Share of losses of associated companies					<u>(5,840)</u>
Loss before taxation					<u>(2,086)</u>
Taxation					<u>(5,032)</u>
Loss after taxation					<u>(7,118)</u>
Minority interests					<u>2,383</u>
Loss attributable to shareholders					<u>(4,735)</u>
Segment assets	595,453	19,584	75,697	–	690,734
Interests in associated companies	12,893	–	–	–	12,893
Unallocated assets					<u>70,295</u>
Total assets					<u>773,922</u>
Segment liabilities	115,891	25,730	1,265	–	142,886
Unallocated liabilities					<u>47,598</u>
Total liabilities					<u>190,484</u>
Capital expenditure	12,050	640	402	–	13,092
Depreciation	31,680	722	3,102	–	35,504

## Notes to the Accounts (Cont'd)

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### 2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Cont'd)

#### Business segments (Cont'd):

	Publishing 2001 HK\$'000	Travel and travel related services 2001 HK\$'000	Internet businesses (note) 2001 HK\$'000	Elimination 2001 HK\$'000	Group 2001 HK\$'000
Turnover					
– External sales	803,056	366,540	48,744	–	1,218,340
– Inter-segment sales	–	21,932	–	(21,932)	–
	<u>803,056</u>	<u>388,472</u>	<u>48,744</u>	<u>(21,932)</u>	<u>1,218,340</u>
Segment results	<u>76,643</u>	<u>4,145</u>	<u>(38,221)</u>		42,567
Gain on disposal/dilution of interests in subsidiaries					74,493
Interest income					16,425
Unallocated expenses					<u>(1,326)</u>
Operating profit					132,159
Finance costs					<u>(14,711)</u>
Share of losses of associated companies					<u>(5)</u>
Profit before taxation					117,443
Taxation					<u>(8,483)</u>
Profit after taxation					108,960
Minority interests					<u>1,995</u>
Profit attributable to shareholders					<u>110,955</u>
Segment assets	609,774	18,546	106,699	–	735,019
Interests in associated companies	8,246	–	–	–	8,246
Unallocated assets					<u>228,440</u>
Total assets					<u>971,705</u>
Segment liabilities	133,263	29,065	2,143	–	164,471
Unallocated liabilities					<u>165,521</u>
Total liabilities					<u>329,992</u>
Capital expenditure	18,980	660	11,706	–	31,346
Depreciation	31,565	1,142	2,115	–	34,822

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

**2 TURNOVER, REVENUES AND SEGMENT INFORMATION (Cont'd)****Geographical segments:**

	Turnover 2002 HK\$'000	Segment results 2002 HK\$'000	Segment assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
Hong Kong	713,250	23,043	537,051	7,360
Canada	210,439	4,451	61,937	5,388
The United States of America	102,378	(18,535)	15,121	285
The Mainland China	18,088	(4,341)	76,625	59
	<u>1,044,155</u>	<u>4,618</u>	<u>690,734</u>	<u>13,092</u>
Interest income		7,307		
Unallocated expenses		(1,217)		
Operating profit		<u>10,708</u>		
Interests in associated companies			12,893	
Unallocated assets			70,295	
Total assets			<u>773,922</u>	
	Turnover 2001 HK\$'000	Segment results 2001 HK\$'000	Segment assets 2001 HK\$'000	Capital expenditure 2001 HK\$'000
Hong Kong	859,646	52,370	573,409	24,719
Canada	224,215	10,457	64,875	5,414
The United States of America	107,409	(16,935)	16,703	949
The Mainland China	27,070	(3,325)	80,032	264
	<u>1,218,340</u>	<u>42,567</u>	<u>735,019</u>	<u>31,346</u>
Gain on disposal/dilution of interests in subsidiaries		74,493		
Interest income		16,425		
Unallocated expenses		(1,326)		
Operating profit		<u>132,159</u>		
Interests in associated companies			8,246	
Unallocated assets			228,440	
Total assets			<u>971,705</u>	

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**3 OPERATING PROFIT**

	Group	
	2002 HK\$'000	As restated 2001 HK\$'000
Operating profit is stated after crediting and charging the following:		
<b>Crediting</b>		
Gain on disposal/dilution of interests in subsidiaries	–	74,493
Net exchange gain	41	7,399
<b>Charging</b>		
Auditors' remuneration		
– current year	1,671	2,093
– over provision in prior years	(386)	(218)
Cost of inventories sold	169,648	175,687
Depreciation		
– owned fixed assets	34,881	34,822
– leased fixed assets	623	–
Staff costs including directors' emoluments ( <i>note</i> )	315,304	346,798
Operating lease expenses		
– land and buildings	5,656	5,871
– machineries	22	20
Outgoings in respect of investment properties	–	7
Provision for doubtful debts and bad debts written off	3,840	5,831
Deficit on revaluation of investment properties not covered by previous surplus	–	60
Loss on disposals of fixed assets	147	2,386
Unrealised losses on other trading investments	501	150
	<u>501</u>	<u>150</u>

*Note:* Included in staff costs are retirement benefit expenses of HK\$8,922,000 (2001: HK\$8,739,000).

**4 FINANCE COSTS**

	Group	
	2002 HK\$'000	2001 HK\$'000
Interest expenses on bank loans and overdrafts	6,458	14,711
Interest element of finance leases	496	–
	<u>6,954</u>	<u>14,711</u>

**5 TAXATION**

Hong Kong profits tax has been provided at the rate of 16% (2001: 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.

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

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
– current year	2,413	3,538
– under provision in prior years	2,080	4,859
Overseas taxation		
– current year	703	523
– over provision in prior years	(164)	(437)
	<u>5,032</u>	<u>8,483</u>

Deferred taxation for the year has not been (recognised)/provided for in respect of the following:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Accelerated depreciation allowances	(5,584)	4,670
Tax losses	(16,459)	8,584
Others	–	343
	<u>(22,043)</u>	<u>13,597</u>

**6 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS**

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$128,795,000 (2001: a profit of HK\$12,308,000).

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**7 DIVIDENDS**

	2002 HK\$'000	2001 HK\$'000
Interim, paid, of HK2 cents (2001: HK3 cents) per ordinary share	7,847	11,767
Special, proposed, of Nil (2001: HK8 cents) per ordinary share	–	31,388
Final, proposed, of HK2 cents (2001: HK3 cents) per ordinary share	7,847	11,770
	<u>15,694</u>	<u>54,925</u>

*Note:* The previously recorded special and final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st March 2000 and 2001 were HK\$11,762,000 and HK\$43,158,000 respectively. Under the Group's new accounting policy as described in note 1(q), these have been written back against opening reserves at 1st April 2000 and 2001 respectively in note 20 and are now charged in the periods in which they were proposed.

**8 (LOSS)/EARNINGS PER SHARE**

The calculation of the basic loss per share is based on the loss attributable to shareholders for the year of HK\$4,735,000 (2001: profit attributable to shareholders of HK\$110,955,000, as restated) and the weighted average of 392,345,000 shares (2001: 392,173,770 shares) in issue during the year.

No diluted loss per share for the year ended 31st March 2002 is presented as the exercise of the outstanding share options of the Company would have an anti-dilutive effect. For the year ended 31st March 2001, no diluted earnings per share is presented as there is no material dilutive 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 disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Directors' fees	240	240
Other emoluments		
– basic salaries, housing allowances, other allowances and benefits in kind	1,924	3,531
Contributions to pension scheme	93	86
	<u>2,257</u>	<u>3,857</u>

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

- (b) During the year, 1,200,000 share options were granted to the directors of the Company under the Share Option Scheme ("the Scheme") approved by the shareholders at the Special General Meeting held on 21st August 2001. Details of the movements of the said share options during the year are disclosed under "Share Option Scheme" in the Directors' Report.
- (c) The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2002	2001
From HK\$Nil to HK\$1,000,000	5	5
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>1</u>	<u>–</u>

No directors waived any emoluments in respect of the years ended 31st March 2002 and 2001.

## Notes to the Accounts (Cont'd)

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

(d) The five individuals whose emoluments were the highest in the Group for the year include an executive director whose emoluments have been reflected in the analysis presented above. The emoluments paid to the remaining four (2001: four) individuals during the year are as follows:

	2002 HK\$'000	2001 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	6,565	7,249
Contributions to pension scheme	290	251
	<u>6,855</u>	<u>7,500</u>

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

Emoluments bands	Number of individuals	
	2002	2001
From HK\$1,500,001 to HK\$2,000,000	<u>4</u>	<u>4</u>

### 10 INTANGIBLE ASSETS

	Group HK\$'000
Cost	
At 1st April 2001, as previously reported	610,000
Effect of adopting SSAP 29 ( <i>note 1(d)(ii)</i> )	<u>(600,000)</u>
At 1st April 2001, as restated and at 31st March 2002	<u>10,000</u>
Accumulated amortisation	
At 1st April 2001, as previously reported	–
Effect of adopting SSAP 29 ( <i>note 1(d)(ii)</i> )	<u>10,000</u>
At 1st April 2001, as restated and at 31st March 2002	<u>10,000</u>
Net book value	
At 31st March 2001, as restated and at 31st March 2002	<u>–</u>

## 11 FIXED ASSETS

	Group								Total HK\$'000
	Properties (note 23)				Investment properties in Hong Kong HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Machinery and printing equipment (note 23) HK\$'000	Motor vehicles HK\$'000	
	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 medium term leases in Hong Kong HK\$'000	Land and buildings held on medium term leases outside Hong Kong HK\$'000					
Cost or valuation									
At 1st April 2001	18,645	38,703	282,098	3,710	540	110,378	183,938	4,865	642,877
Transfers	-	(31,636)	540	31,636	(540)	-	-	-	-
Additions	-	-	-	-	-	9,260	3,484	348	13,092
Exchange adjustment	(92)	-	-	-	-	(167)	(158)	(2)	(419)
Disposals	-	-	-	-	-	(7,773)	(717)	(307)	(8,797)
<b>At 31st March 2002</b>	<b>18,553</b>	<b>7,067</b>	<b>282,638</b>	<b>35,346</b>	<b>-</b>	<b>111,698</b>	<b>186,547</b>	<b>4,904</b>	<b>646,753</b>
Accumulated depreciation									
At 1st April 2001	996	4,284	38,915	523	-	82,258	114,298	3,849	245,123
Transfers	-	(3,704)	-	3,704	-	-	-	-	-
Charge for the year	197	105	7,787	769	-	13,672	12,491	483	35,504
Exchange adjustment	(12)	-	-	-	-	(183)	(118)	(2)	(315)
Disposals	-	-	-	-	-	(7,587)	(717)	(281)	(8,585)
<b>At 31st March 2002</b>	<b>1,181</b>	<b>685</b>	<b>46,702</b>	<b>4,996</b>	<b>-</b>	<b>88,160</b>	<b>125,954</b>	<b>4,049</b>	<b>271,727</b>
Net book value									
<b>At 31st March 2002</b>	<b>17,372</b>	<b>6,382</b>	<b>235,936</b>	<b>30,350</b>	<b>-</b>	<b>23,538</b>	<b>60,593</b>	<b>855</b>	<b>375,026</b>
At 31st March 2001	17,649	34,419	243,183	3,187	540	28,120	69,640	1,016	397,754

31st March 2002

**11 FIXED ASSETS (Cont'd)**

The analysis of the cost or valuation at 31st March 2002 of the above assets 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 medium 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	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Machinery and printing equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At cost	545	-	6,474	-	-	111,698	186,547	4,904	310,168
At professional valuation									
- 1995	18,008	7,067	275,624	35,346	-	-	-	-	336,045
- 2001	-	-	540	-	-	-	-	-	540
	<u>18,553</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>-</u>	<u>111,698</u>	<u>186,547</u>	<u>4,904</u>	<u>646,753</u>

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

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>110,378</u>	<u>183,938</u>	<u>4,865</u>	<u>642,877</u>

- (a) The freehold and leasehold land and buildings stated at professional valuation in 1995 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.

The land and buildings held on medium term leases in Hong Kong stated at professional valuation in 2001 were revalued by DTZ Debenham Tie Leung Limited, independent international surveyors and valuers, on an open market basis at 31st March 2001.

In the opinion of the directors, the carrying amounts of the above land and buildings do not differ materially from their fair values such that regular revaluation need not be made.

**11 FIXED ASSETS** (Cont'd)

- (b) The carrying values of machines purchased under finance leases are HK\$10,875,000 (2001: HK\$8,526,000).
- (c) The carrying amounts of all freehold and leasehold land and buildings, other than investment properties, would have been HK\$176,831,000 (2001: HK\$181,682,000) had they been stated at cost less accumulated depreciation.

**12 INTERESTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2002</b>	<b>2001</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	745,171	745,171
Less: Impairment	(280,700)	–
	<u>464,471</u>	<u>745,171</u>
Amounts due from subsidiaries		
Interest free	453,868	313,793
Interest bearing	229,085	239,143
	<u>1,147,424</u>	<u>1,298,107</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.

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**13 INTERESTS IN ASSOCIATED COMPANIES**

	Notes	Group	
		2002 HK\$'000	2001 HK\$'000
Share of net (liabilities)/assets other than goodwill			
– current year/prior year as previously reported		(5,840)	17,500
– effect of adopting SSAP 29	1(d)(ii)	–	(17,500)
Share of net (liabilities)/assets other than goodwill			
– current year/prior year as restated		(5,840)	–
Amount due from an associated company	(b)	18,733	8,246
Loans to an associated company	(b)	19,100	19,100
		<b>31,993</b>	<b>27,346</b>
Less: Provision against loans to an associated company		(19,100)	(19,100)
		<b>12,893</b>	<b>8,246</b>

(a) The following is a list of the Group's associated companies at 31st March 2002:

Name	Place of establishment/ operation	Effective equity interest %	Issued/ registered capital	Nature of business
Yazhou Zhoukan Holdings Limited (note)	British Virgin Islands	48.525	HK\$10,000	Investment holding
Yazhou Zhoukan Limited (note)	Hong Kong	48.525	HK\$9,500	Magazine publisher
亞週股份有限公司 (note)	Taiwan	48.525	NT\$5,000,000	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

Note: These associated companies adopted an accounting date of 31st December, which is not coterminous with that of the Group. The results of these associated companies have been equity accounted for based on their audited accounts for the period ended 31st December 2001.

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

**14 INVENTORIES**

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Raw materials	51,761	44,912
Finished goods	4,399	4,881
	<u>56,160</u>	<u>49,793</u>

At 31st March 2002, the carrying amounts of inventories that are carried at net realisable value amounted to HK\$1,594,000 (2001: HK\$1,587,000).

**15 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Accounts receivable ( <i>note</i> )	136,482	140,611	–	–
Prepayments and deposits	28,637	29,758	3,028	549
	<u>165,119</u>	<u>170,369</u>	<u>3,028</u>	<u>549</u>

*Note:* The Group allows in general a credit period of up to 90 days to its trade customers. At 31st March 2002, the ageing analysis of the Group's accounts receivable is as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
0 to 60 days	79,019	89,237
61 to 120 days	41,070	38,625
121 to 180 days	11,835	9,878
Over 180 days	4,558	2,871
	<u>136,482</u>	<u>140,611</u>

31st March 2002

**16 OTHER TRADING INVESTMENTS**

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong listed shares, at market value	<u>2,860</u>	<u>427</u>	<u>2,860</u>	<u>427</u>

**17 BANK BALANCES AND CASH**

Included in the bank balances and cash of the Group are cash and bank deposits denominated in Renminbi placed with banks in The Mainland China amounted to HK\$20,359,000 (2001: HK\$14,778,000).

**18 ACCOUNTS PAYABLE AND ACCRUED CHARGES**

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accounts payable ( <i>note</i> )	54,741	50,970	–	–
Accrued charges	<u>48,577</u>	<u>64,243</u>	<u>4,039</u>	<u>5,033</u>
	<u><u>103,318</u></u>	<u><u>115,213</u></u>	<u><u>4,039</u></u>	<u><u>5,033</u></u>

*Note:* At 31st March 2002 the ageing analysis of the Group's accounts payable is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
0 to 60 days	49,671	47,183
61 to 120 days	3,175	2,611
121 to 180 days	1,378	1,176
Over 180 days	<u>517</u>	<u>–</u>
	<u><u>54,741</u></u>	<u><u>50,970</u></u>



**19 SHARE CAPITAL**

	<b>Authorised ordinary shares of HK\$0.10 each</b>	
	No. of shares	HK\$'000
At 31st March 2001 and 2002	<u>500,000,000</u>	<u>50,000</u>

	<b>Issued and fully paid ordinary shares of HK\$0.10 each</b>			
	<b>2002</b>		<b>2001</b>	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1st April	<b>392,345,000</b>	<b>39,234</b>	391,972,000	39,197
Shares issued on exercise of share options	–	–	373,000	37
At 31st March	<u><b>392,345,000</b></u>	<u><b>39,234</b></u>	<u>392,345,000</u>	<u>39,234</u>

At the Special General Meeting of the Company held on 21st August 2001, a Share Option Scheme ("the Scheme") was approved and adopted. Pursuant to the Scheme, options to subscribe for 5,475,000 ordinary shares at HK\$1.592 per share of the Company were granted during the year. At 31st March 2002 there were 5,475,000 options outstanding which are exercisable at any time on or before 20th August 2011.

## Notes to the Accounts (Cont'd)

31st March 2002

### 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 2000, as previously reported	589,152	145,096	600,000	356	(835)	(22,400)	1,804	(177,615)	1,135,558
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	-	11,762	11,762
Effect of adopting SSAP 29	-	-	(600,000)	-	-	-	-	(45,000)	(645,000)
At 1st April 2000, as restated	589,152	145,096	-	356	(835)	(22,400)	1,804	(210,853)	502,320
Premium on issue of shares	613	-	-	-	-	-	-	-	613
Profit attributable to shareholders (as restated for the effect of adopting SSAP 29)	-	-	-	-	-	-	-	110,955	110,955
Goodwill reversed upon disposal of a subsidiary	-	-	-	-	-	-	74	-	74
Release of exchange reserve upon disposal of a subsidiary	-	-	-	-	943	-	-	-	943
Exchange adjustment	-	-	-	-	(194)	-	-	-	(194)
2000 final dividend paid (note 7)	-	-	-	-	-	-	-	(11,762)	(11,762)
2001 interim dividend paid (note 7)	-	-	-	-	-	-	-	(11,767)	(11,767)
At 31st March 2001	589,765	145,096	-	356	(86)	(22,400)	1,878	(123,427)	591,182
2001 special dividend proposed (note 7)	-	-	-	-	-	-	-	(31,388)	(31,388)
2001 final dividend proposed (note 7)	-	-	-	-	-	-	-	(11,770)	(11,770)
At 31st March 2001 after proposed dividends	<u>589,765</u>	<u>145,096</u>	<u>-</u>	<u>356</u>	<u>(86)</u>	<u>(22,400)</u>	<u>1,878</u>	<u>(166,585)</u>	<u>548,024</u>
Company and subsidiaries	589,765	145,096	-	356	(86)	(22,400)	1,878	(123,422)	591,187
Associated companies	-	-	-	-	-	-	-	(5)	(5)
At 31st March 2001	<u>589,765</u>	<u>145,096</u>	<u>-</u>	<u>356</u>	<u>(86)</u>	<u>(22,400)</u>	<u>1,878</u>	<u>(123,427)</u>	<u>591,182</u>

**20 RESERVES (Cont'd)**

	<b>Group</b>								
	Share premium account HK\$'000	Property revaluation reserve HK\$'000	Publishing titles revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Difference arising on consolidation HK\$'000	Reserve arising on consolidation HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st April 2001, as previously reported	589,765	145,096	600,000	356	(86)	(22,400)	1,878	(139,085)	1,175,524
Effect of adopting SSAP 9 (revised)	-	-	-	-	-	-	-	43,158	43,158
Effect of adopting SSAP 29	-	-	(600,000)	-	-	-	-	(27,500)	(627,500)
At 1st April 2001, as restated	589,765	145,096	-	356	(86)	(22,400)	1,878	(123,427)	591,182
Loss attributable to shareholders	-	-	-	-	-	-	-	(4,735)	(4,735)
Exchange adjustment	-	-	-	-	(152)	-	-	-	(152)
2001 special dividend paid (note 7)	-	-	-	-	-	-	-	(31,388)	(31,388)
2001 final dividend paid (note 7)	-	-	-	-	-	-	-	(11,770)	(11,770)
2002 interim dividend paid (note 7)	-	-	-	-	-	-	-	(7,847)	(7,847)
At 31st March 2002	589,765	145,096	-	356	(238)	(22,400)	1,878	(179,167)	535,290
2002 final dividend proposed (note 7)	-	-	-	-	-	-	-	(7,847)	(7,847)
At 31st March 2002 after proposed final dividend	<u>589,765</u>	<u>145,096</u>	<u>-</u>	<u>356</u>	<u>(238)</u>	<u>(22,400)</u>	<u>1,878</u>	<u>(187,014)</u>	<u>527,443</u>
Company and subsidiaries	589,765	145,096	-	356	(238)	(22,400)	1,878	(173,322)	541,135
Associated companies	-	-	-	-	-	-	-	(5,845)	(5,845)
At 31st March 2002	<u>589,765</u>	<u>145,096</u>	<u>-</u>	<u>356</u>	<u>(238)</u>	<u>(22,400)</u>	<u>1,878</u>	<u>(179,167)</u>	<u>535,290</u>

## Notes to the Accounts (Cont'd)

31st March 2002

### 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 2000, as previously reported	589,152	356	200,379	524,017	1,313,904
Effect of adopting SSAP 9 (revised)	—	—	—	11,762	11,762
At 1st April 2000, as restated	589,152	356	200,379	535,779	1,325,666
Premium on issue of shares	613	—	—	—	613
Profit attributable to shareholders	—	—	—	12,308	12,308
2000 final dividend paid ( <i>note 7</i> )	—	—	—	(11,762)	(11,762)
2001 interim dividend paid ( <i>note 7</i> )	—	—	—	(11,767)	(11,767)
At 31st March 2001	589,765	356	200,379	524,558	1,315,058
2001 special dividend proposed ( <i>note 7</i> )	—	—	—	(31,388)	(31,388)
2001 final dividend proposed ( <i>note 7</i> )	—	—	—	(11,770)	(11,770)
At 31st March 2001 after proposed dividends	<u>589,765</u>	<u>356</u>	<u>200,379</u>	<u>481,400</u>	<u>1,271,900</u>
At 1st April 2001, as previously reported	589,765	356	200,379	481,400	1,271,900
Effect of adopting SSAP 9 (revised)	—	—	—	43,158	43,158
At 1st April 2001, as restated	589,765	356	200,379	524,558	1,315,058
Loss attributable to shareholders	—	—	—	(128,795)	(128,795)
2001 special dividend paid ( <i>note 7</i> )	—	—	—	(31,388)	(31,388)
2001 final dividend paid ( <i>note 7</i> )	—	—	—	(11,770)	(11,770)
2002 interim dividend paid ( <i>note 7</i> )	—	—	—	(7,847)	(7,847)
At 31st March 2002	589,765	356	200,379	344,758	1,135,258
2002 final dividend proposed ( <i>note 7</i> )	—	—	—	(7,847)	(7,847)
<b>At 31st March 2002 after proposed final dividend</b>	<b><u>589,765</u></b>	<b><u>356</u></b>	<b><u>200,379</u></b>	<b><u>336,911</u></b>	<b><u>1,127,411</u></b>

**20 RESERVES (Cont'd)**

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.

**21 LONG-TERM LIABILITIES**

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans – secured				
Not wholly repayable within five years	4,782	46,720	–	41,488
Obligations under finance leases				
Wholly repayable within five years	8,328	7,884	–	–
	<b>13,110</b>	54,604	–	41,488
Current portion of long-term liabilities	(3,137)	(44,111)	–	(41,488)
	<b>9,973</b>	10,493	–	–

31st March 2002

**21 LONG-TERM LIABILITIES (Cont'd)**

At 31st March 2002, the Group's bank loans and overdrafts (including trust receipts loans but excluding finance lease liabilities) were repayable as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Bank loans and overdrafts		
Within one year	71,339	200,964
In the second year	417	420
In the third to fifth year	1,252	1,260
After the fifth year	2,696	3,132
	<u>75,704</u>	<u>205,776</u>
	<b>Company</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Within one year	<u>27,300</u>	<u>142,888</u>

**21 LONG-TERM LIABILITIES** (Cont'd)

At 31st March 2002, the Group's finance lease liabilities were repayable as follows:

	<b>Group</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Finance lease liabilities minimum lease payments		
Within one year	3,140	2,622
In the second year	3,074	2,493
In the third to fifth year	3,086	3,707
	<hr/>	<hr/>
	9,300	8,822
Future finance charges on finance leases	(972)	(938)
	<hr/>	<hr/>
Present value of finance lease liabilities	<u>8,328</u>	<u>7,884</u>

The present value of finance lease liabilities was repayable as follows:

Within one year	2,720	2,203
In the second year	2,784	2,233
In the third to fifth year	2,824	3,448
	<hr/>	<hr/>
	<u>8,328</u>	<u>7,884</u>

**22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of operating profit to net cash inflow from operating activities**

	2002 HK\$'000	As restated 2001 HK\$'000
Operating profit	10,708	132,159
Unrealised losses on other trading investments	501	150
Deficit on revaluation of investment properties not covered by previous surplus	–	60
Gain on disposal/dilution of interests in subsidiaries	–	(74,493)
Reversal of goodwill previously taken to reserve upon the disposal of a subsidiary	–	74
Dividends received from other trading investments	(25)	(32)
Interest income	(7,307)	(16,425)
Depreciation of fixed assets	35,504	34,822
Loss on disposals of fixed assets	147	2,386
Increase in inventories	(6,367)	(11,079)
Decrease in accounts receivable, deposits and prepayments	5,250	29
(Decrease)/increase in accounts payable and accrued charges	(11,895)	19,320
Net cash inflow from operating activities	<u>26,516</u>	<u>86,971</u>

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

	Share capital and share premium		Bank loans (including trust receipts loans)		Obligations under finance leases	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
At 1st April	628,999	628,349	92,396	124,654	7,884	–
Exchange differences	–	–	(33)	(480)	(15)	–
Net cash outflow from financing	–	–	(57,587)	(31,778)	(2,524)	–
Shares issued on exercise of share options	–	650	–	–	–	–
Inception of finance leases	–	–	–	–	2,983	7,884
At 31st March	<u>628,999</u>	<u>628,999</u>	<u>34,776</u>	<u>92,396</u>	<u>8,328</u>	<u>7,884</u>



**22 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)****(c) 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\$2,983,000 (2001: HK\$7,884,000).

**23 BANKING FACILITIES AND PLEDGE OF ASSETS**

At 31st March 2002, the Group's trust receipts loans, bank loans and overdrafts are secured by the following:

- (a) certain machinery and printing equipment of the Group with net book value of HK\$24,305,000 at 31st March 2002 (*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\$283,440,000 at 31st March 2002 (*note 11*) and assignment of rental income derived therefrom;
- (c) first legal charges on the Group's publishing titles;
- (d) general security agreements under which all the assets of certain subsidiaries with net book value of HK\$66,920,000 at 31st March 2002 (including HK\$16,354,000 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\$1,647,000 at 31st March 2002; and
- (f) corporate guarantees issued by the Company.

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**24 DEFERRED TAXATION**

The potential deferred taxation assets/(liabilities) not recognised/(provided for) in the accounts amounted to:

	Group	
	2002 Potential assets/ (liabilities) HK\$'000	2001 Potential assets/ (liabilities) HK\$'000
Accelerated depreciation allowances	(6,478)	(12,062)
Tax losses	39,933	23,474
	<u>33,455</u>	<u>11,412</u>

- (a) Potential deferred tax 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 2002, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2002 HK\$'000	As restated 2001 HK\$'000
Within one year	6,528	5,482
In the second to fifth year inclusive	4,253	4,653
	<u>10,781</u>	<u>10,135</u>

**(b) Financial commitments**

At 31st March 2002, the Group was committed to advance to an associated company an amount of HK\$3,900,000 (2001: HK\$3,900,000) for investment purposes.

**26 CONTINGENT LIABILITIES**

At 31st March 2002, the Company had contingent liabilities in respect of guarantees issued in favour of certain of its subsidiaries totalling HK\$149,747,000 (2001: HK\$119,747,000) in consideration of general banking facilities granted to those subsidiaries. At 31st March 2002, total facilities utilised amounted to HK\$43,167,000 (2001: HK\$58,792,000).

**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 2002.

**29 PARTICULARS OF PRINCIPAL SUBSIDIARIES**

(a) Particulars of principal subsidiaries at 31st March 2002 that are incorporated in Hong Kong are as follows:

<b>Name of subsidiary</b>	<b>Issued and fully paid share capital</b>	<b>Effective equity interest %</b>	<b>Nature of business</b>
<i>Indirect subsidiaries:</i>			
Centricon Enterprises Limited	HK\$2	100	Property investment
Charming Holidays Limited	HK\$750,000	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

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

- (a) Particulars of principal subsidiaries at 31st March 2002 that are incorporated in Hong Kong are as follows: (Cont'd)

<b>Name of subsidiary</b>	<b>Issued and fully paid share capital</b>	<b>Effective equity interest %</b>	<b>Nature of business</b>
<i>Indirect subsidiaries: (Cont'd)</i>			
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	Internet related businesses
Perfect Gain Development Limited	HK\$2	100	Property investment

- (b) Particulars of principal subsidiaries at 31st March 2002 that are incorporated outside Hong Kong are as follows:

<b>Name of subsidiary</b>	<b>Place of establishment/ operation</b>	<b>Issued and fully paid share capital</b>	<b>Effective equity interest %</b>	<b>Nature of business</b>
<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

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

(b) Particulars of principal subsidiaries at 31st March 2002 that are incorporated outside Hong Kong are as follows: (Cont'd)

Name of subsidiary	Place of establishment/ operation	Issued and fully paid share capital	Effective equity interest %	Nature of business
<i>Indirect subsidiaries: (Cont'd)</i>				
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	Newspapers 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 owned foreign enterprise. 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.