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 the historical cost convention except that, as disclosed in the accounting policies below, land and buildings are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34 (revised)	:	Employee benefits

The adoption of the revised SSAPs 1, 11 and 15 has not had a material financial impact on the preparation of the accounts.

The effect of adopting revised SSAP 34 is set out below in Note 2(l)(i).

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 Company, directly or indirectly, 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.

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 proceeds of the sale 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 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.

2 Principal accounting policies *continued*

(b) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, 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 accumulated impairment losses) arising 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.

(c) Revenue recognition

(i) Sales of magazines and newspapers are recognised on the date of publication, net of allowances 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 edition in which the advertisement is placed.

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

(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 from editorial services is recognised when the services are rendered.

(ix) Rental income is recognised on a straight-line basis over the term of the lease.

2 Principal accounting policies *continued*

(d) Intangible assets

(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.

Goodwill on acquisitions that occurred prior to 1 January 2001 was eliminated against reserves. Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life.

Any impairment arising on goodwill is accounted for in the consolidated profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions on or after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. Negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss over the remaining weighted average useful life of those assets of 20 years; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisition.

(ii) Masthead and publishing rights

Masthead and publishing rights of the Group's magazines are stated at cost less accumulated amortisation and accumulated impairment losses and are amortised on a straight-line basis over their estimated useful lives. In this regard, the directors believe that the useful lives of the Group's masthead and publishing rights are 20 years from the date of acquisition.

(e) Fixed assets

(i) Construction in progress

Construction in progress mainly comprises plant and machinery on which construction work has not been completed and which, upon completion, management intends to hold for own use. These plant and machinery are carried at cost which includes installation, development and construction expenditure incurred and interest and other costs directly attributable to the installation and development less any accumulated impairment losses. On completion, these plant and machinery are transferred to fixed assets at cost less accumulated impairment losses.

2 Principal accounting policies *continued*

(e) Fixed assets *continued*

(ii) Other fixed assets

Other fixed assets, except 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 accumulated impairment losses. Independent valuations are performed on land and buildings every three years. In the intervening years, the directors review the carrying values of the land and buildings and adjustment is made where, in their opinion, 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 debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon the disposal of land and buildings, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred from the revaluation reserve to retained earnings and is shown as a movement in reserves.

Freehold land is not depreciated. Leasehold land is depreciated over the period of the lease, generally 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	Over the lease term or the estimated useful lives, whichever is shorter
Plant and machinery	6.67 – 10%
Furniture, fixtures and equipment	20 – 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.

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

(f) Impairment of non-current assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that non-current 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 consolidated 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.

2 Principal accounting policies *continued*

(g) Assets held 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 consolidated profit and loss account over the lease periods.

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

(ii) Operating leases

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

(h) Inventories

Inventories comprise raw materials, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) 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.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

2 Principal accounting policies *continued*

(k) 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 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, they will then be recognised as a provision.

A contingent asset is a possible 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.

A contingent asset is not recognised but is disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(l) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

In prior years, no provision was made for employee annual leave entitlements. The adoption of the revised SSAP 34 has necessitated a restatement of prior years' figures and has resulted in an increase of approximately HK$19,451,000 in the opening balances of accumulated losses as at 1 April 2001 and 2002, representing the provision for employee annual leave entitlements not previously recognised as at 31 March 2001 and 2002. A corresponding increase in current liabilities of approximately HK$19,451,000 has been reflected in the consolidated balance sheet at 31 March 2002.

The consolidated profit and loss account for the year ended 31 March 2002 has not been restated as the net movement of the provision for employee annual leave entitlements was immaterial.

(ii) Profit sharing and bonus plans

The expected costs of profit sharing and bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligations can be made.

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 Principal accounting policies *continued*

(l) Employee benefits *continued*

(iii) Pension obligations

The Group operates two defined contribution retirement schemes and a mandatory provident fund scheme for its eligible employees in Hong Kong, and two defined benefit plans for its eligible employees in Taiwan, the assets of which are held in separate trustee-administered funds.

The Group's contributions to the defined contribution retirement schemes and the mandatory provident fund scheme are expensed as incurred and, in respect of the non-mandatory provident fund schemes, such contributions are reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For defined benefits pension plans, pension costs are assessed using the projected unit credit method, under which the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the plans annually. The pension obligation is measured as the present value of the estimated future cash outflows using average market yields for high quality corporate bonds and securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefits become vested.

(iv) Equity compensation benefits

Share options are granted to full-time employees and directors at the Company's discretion. No compensation cost is recognised in the consolidated profit and loss account when the options are granted. The amount of consideration received for the options granted is credited to the consolidated profit and loss account. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

(m) Provisions

Provisions are recognised when the Group has a present 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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(n) Deferred taxation

Deferred taxation is accounted for at the expected future 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.

2 Principal accounting policies *continued*

(o) 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 consolidated profit and loss account.

Following the adoption of the revised SSAP 11, the balance sheets of subsidiaries and associated companies 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 in these cases are dealt with as movements in reserves.

In prior years, the profit and loss accounts of foreign enterprises were translated at the closing rate. However, the translations of the profit and loss accounts of foreign enterprises in prior years have not been restated to reflect the change in accounting policy as the financial impact would not be material.

(p) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

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

(q) Segment reporting

Consistent 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 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 represents additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the region in which the customer is located. Total assets and capital expenditure are based on where the assets are located.

3 Turnover and revenues

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:

	2003 HK$'000	2002 HK$'000
Turnover		
Sales of newspaper	462,883	195,578
Sales of books and magazines	294,130	206,888
Newspaper advertising income	815,277	348,117
Books and magazines advertising income	421,491	207,961
Printing and reprographic services	141,958	151,688
Internet content provision and advertising income	14,333	10,644
	2,150,072	1,120,876
Other revenues		
Sales of waste materials	6,428	6,828
Sales of other publications	765	5,650
Interest income on bank deposits	8,904	4,319
Editorial services	–	806
Rental income	2,013	283
Others	4,241	2,222
	22,351	20,108
Total revenues	2,172,423	1,140,984

4 Segmental information

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

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

** The Taiwan Apple Daily was launched in May 2003.*

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

4 Segmental information *continued*

Analysis of business segment results for the year ended 31 March 2003

	Newspaper publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet content provision and advertising HK$'000	Elimination of inter-segment transactions / balances HK$'000	Group HK$'000
Turnover	1,309,411	715,642	242,080	14,383	(131,444)	2,150,072
Segment results	372,643	30,695	27,567	3,635	–	434,540
Other revenues						22,351
Operating profit						456,891
Finance costs						(11,645)
Profit before taxation						445,246
Taxation						(77,717)
Profit after taxation						367,529
Minority interests						23
Profit for the year						367,552
Segment assets	2,969,254	863,226	380,010	2,319	(27,221)	4,187,588
Investments in associated companies						(830)
Total assets						4,186,758
Segment liabilities	(267,219)	(115,260)	(38,327)	(5,545)	27,221	(399,130)
Unallocated liabilities						(397,546)
Total liabilities						(796,676)
Capital expenditure	(711,566)	(102,875)	(1,277)	(15)	–	(815,733)
Depreciation	(64,270)	(19,335)	(18,073)	(1,170)	–	(102,848)
Amortisation	(51,266)	(24,598)	–	–	–	(75,864)
Other non-cash items	477	(2,971)	(570)	1,595	–	(1,469)

4 Segmental information *continued*

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

	Newspaper publication and printing HK$'000	Books and magazines publication HK$'000	Books and magazines printing HK$'000	Internet content provision and advertising HK$'000	Elimination of inter-segment transactions / balances HK$'000	Group HK$'000
Turnover	557,161	414,849	218,208	10,644	(79,986)	1,120,876
Segment results	160,334	(98,530)	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 for the year						26,549
Segment assets	2,418,776	816,563	333,745	4,825	(9,895)	3,564,014
Investments in associated companies						(830)
Total assets						3,563,184
Segment liabilities	(106,456)	(80,409)	(35,703)	(4,257)	9,895	(216,930)
Unallocated liabilities						(317,918)
Total liabilities						(534,848)
Capital expenditure	(1,880,855)	(310,117)	(1,343)	(665)	–	(2,192,980)
Depreciation	(29,497)	(9,384)	(18,904)	(8,929)	–	(66,714)
Amortisation	(21,361)	(16,374)	–	–	–	(37,735)
Impairment loss	–	–	–	(9,468)	–	(9,468)
Other non-cash items	(2,069)	(1,776)	(8,109)	(7,367)	–	(19,321)

4 Segmental information *continued*

Secondary reporting format – geographical segments

	2003		2002	
	Turnover HK$'000	**Segment results HK$'000**	**Turnover HK$'000**	**Segment results HK$'000**
Hong Kong	1,929,475	528,863	959,238	152,708
Taiwan	130,207	(116,798)	101,049	(114,794)
North America	64,961	15,665	34,362	1,414
Europe	20,600	5,453	17,882	2,793
Australasia	4,829	1,357	8,345	1,331
	2,150,072	434,540	1,120,876	43,452
Other revenues		22,351		20,108
Operating profit		456,891		63,560

	2003		2002	
	Total assets HK$'000	**Capital expenditure HK$'000**	**Total assets HK$'000**	**Capital expenditure HK$'000**
Hong Kong	3,223,724	9,646	3,512,712	2,181,292
Taiwan	958,035	806,063	46,710	11,349
North America	5,829	24	4,592	339
	4,187,588	815,733	3,564,014	2,192,980
Investments in associated companies	(830)		(830)	
Total assets	4,186,758		3,563,184	

5 Other expenses

	2003 HK$'000	**2002 HK$'000**
Impairment loss on fixed assets	–	9,468
Loss on disposal of fixed assets	988	7,130
	988	16,598

6 Operating profit

Operating profit is stated after charging the following:

	2003 HK$'000	2002 HK$'000
Auditors' remuneration	2,000	1,998
Exchange losses, net	1,330	4,061
Staff costs (Note 11)	729,603	409,180
Costs of raw materials consumed in production	527,743	352,868
Provisions for bad and doubtful debts	481	12,191
Operating lease expenses on:		
– Properties	7,061	12,064
– Other assets	11,091	6,117

7 Finance costs

	2003 HK$'000	2002 HK$'000
Interest expenses on:		
– Bank borrowings	12,473	9,629
– Finance leases	–	30
– Others	8	–
Total borrowing costs incurred	12,481	9,659
Less: Interest capitalised in construction in progress	(836)	–
	11,645	9,659

8 Taxation

Hong Kong profits tax has been provided at the rate of 16% (2002: 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 for the year.

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

	2003 HK$'000	2002 HK$'000
Hong Kong profits tax	55,552	14,165
Under-provision in prior years	106	137
Deferred taxation (Note 26)	22,059	12,783
	77,717	27,085

Deferred taxation credits for the year have not been recognised in respect of the following:

	2003 HK$'000	2002 HK$'000
Accelerated depreciation allowances	480	1,578
Tax losses	2,397	16,829
Other timing differences	186	1,952
	3,063	20,359

9 Profit attributable to shareholders

Included in the profit attributable to shareholders of HK$367,552,000 (2002: HK$26,549,000) is a profit of HK$387,495,000 (2002: loss of HK$104,933,000) which has been dealt with in the accounts of the Company.

10 Earnings per share

The calculation of the basic and fully diluted earnings per share is based on the profit attributable to shareholders of HK$367,552,000 (2002: HK$26,549,000). The calculation of basic earnings per share is based on 1,233,661,176 (2002: weighted average of 899,708,677) ordinary shares in issue during the year.

The calculation of fully diluted earnings per share for the year ended 31 March 2003 is based on 1,233,661,176 (2002: weighted average of 899,708,677) ordinary shares in issue during the year plus the 1,162,227,807 (2002: 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 at the beginning of the year.

The number of shares applied in the previous year's calculation of both basic and fully diluted earnings per share has been adjusted on a pro-forma basis as if the consolidation of shares as set out in Note 21 had taken place before 1 April 2001.

11 Staff costs

	2003 HK$'000	2002 HK$'000
Wages, salaries and benefits in kind	706,214	403,956
Pension costs – defined contribution plans, net of forfeited contributions (Note 25(a))	17,114	3,973
Pension costs – defined benefits plans (Note 25(b))	6,275	1,251
	729,603	409,180

The staff costs for the year ended 31 March 2003 included directors' emoluments of approximately HK$14,577,000 (2002: approximately HK$11,511,000) as set out in Note 12.

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:

	2003 HK$'000	2002 HK$'000
Fees		
Executive directors	400	433
Independent non-executive directors	200	200
Other emoluments – executive directors		
Salaries and benefits in kind	13,554	10,454
Pension costs – defined contribution plans	423	424
	14,577	11,511

During the year, 175,000 options were granted to two directors of the Company under the Subsidiary Share Option Schemes and no (2002: 1,618,000 options) options were granted to any directors of the Company under the 2000 Option Scheme (Note 22).

The emoluments disclosed above include expenses of HK$2,379,000 (2002: HK$1,350,000) paid by the Group under two operating leases in respect of residential accommodation provided to an executive director in Hong Kong and Taiwan.

12 Directors' and senior management's emoluments *continued*

(a) Directors' emoluments *continued*

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2003	**2002**
HK$Nil – HK$1,000,000	2	5
HK$1,000,001 – HK$1,500,000	–	3
HK$1,500,001 – HK$2,000,000	–	1
HK$2,000,001 – HK$2,500,000	1	2
HK$2,500,001 – HK$3,000,000	3	–
HK$3,500,001 – HK$4,000,000	1	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2002: four) directors, whose emoluments are included in the analysis presented above. The emoluments payable to the remaining two (2002: one) highest paid individuals for the year are as follows:

	2003 HK$'000	**2002 HK$'000**
Salaries and benefits in kind	6,114	1,467
Pension costs – defined contribution plans	228	69
	6,342	1,536

The emoluments of these individuals fell within the following bands:

Emolument bands	Number of individuals	
	2003	**2002**
HK$1,000,001 – HK$1,500,000	–	1
HK$3,000,001 – HK$3,500,000	2	–

(c) During the years ended 31 March 2003 and 2002, the Group did not pay 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 2003 and 2002, no director waived or agreed to waive any emoluments.

13 Intangible assets

	Masthead and publishing rights HK$'000
Cost	
At 1 April 2002 and 31 March 2003	1,517,274
Accumulated amortisation	
At 1 April 2002	52,924
Amortisation for the year	75,864
At 31 March 2003	128,788
Net book value	
At 31 March 2003	1,388,486
At 31 March 2002	1,464,350

14 Fixed assets

	Group						
	Construction in progress* HK$'000	Land and buildings HK$'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 2002	–	541,108	27,837	671,192	87,472	6,779	1,334,388
Currency realignment	–	–	(121)	–	(557)	–	(678)
Additions	389,226	352,585	12,285	901	59,663	1,073	815,733
Disposals	–	–	(2,511)	(383)	(5,098)	(2,371)	(10,363)
At 31 March 2003	389,226	893,693	37,490	671,710	141,480	5,481	2,139,080
Accumulated depreciation							
At 1 April 2002	–	–	4,580	160,912	33,314	1,213	200,019
Currency realignment	–	–	(123)	–	(364)	–	(487)
Charge for the year	–	12,720	6,800	50,393	31,190	1,745	102,848
Disposals	–	–	(2,506)	(216)	(3,999)	(837)	(7,558)
At 31 March 2003	–	12,720	8,751	211,089	60,141	2,121	294,822
Net book value							
At 31 March 2003	389,226	880,973	28,739	460,621	81,339	3,360	1,844,258
At 31 March 2002	–	541,108	23,257	510,280	54,158	5,566	1,134,369

** As at 31 March 2003, construction in progress represented printing facilities under installation in Taiwan.*

14 Fixed assets *continued*

The analysis of the cost or valuation at 31 March 2003 of the above assets is as follows:

	Group						
	Construction in progress HK$'000	Land and buildings HK$'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	389,226	–	37,490	671,710	141,480	5,481	1,245,387
At valuation	–	893,693	–	–	–	–	893,693
	389,226	893,693	37,490	671,710	141,480	5,481	2,139,080

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

	Group						
	Construction in progress HK$'000	Land and buildings HK$'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

14 Fixed assets *continued*

	Company			
	Land and buildings HK$'000	**Leasehold improve-ments HK$'000**	**Furniture, fixtures and equipment HK$'000**	**Total HK$'000**
Cost or valuation				
At 1 April 2002	188,257	12,047	896	201,200
Disposals	–	–	(59)	(59)
Transfer to subsidiaries, net	–	–	(837)	(837)
At 31 March 2003	188,257	12,047	–	200,304
Accumulated depreciation				
At 1 April 2002	–	1,097	351	1,448
Charge for the year	4,183	241	–	4,424
Disposals	–	–	(19)	(19)
Transfer to subsidiaries, net	–	–	(332)	(332)
At 31 March 2003	4,183	1,338	–	5,521
Net book value				
At 31 March 2003	184,074	10,709	–	194,783
At 31 March 2002	188,257	10,950	545	199,752

The analysis of the cost or valuation at 31 March 2003 of the above assets is as follows:

	Company			
	Land and buildings HK$'000	**Leasehold improve-ments HK$'000**	**Furniture, fixtures and equipment HK$'000**	**Total HK$'000**
At cost	–	12,047	–	12,047
At valuation	188,257	–	–	188,257
	188,257	12,047	–	200,304

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$'000	Leasehold improve-ments HK$'000	Furniture, fixtures 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 buildings with a total net book value of approximately HK$352,905,000 (2002: HK$1,083,000) held by certain subsidiaries 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 2003, the Group's and the Company's land and buildings were valued as follows.

	Group HK$'000	Company HK$'000
Leasehold land and buildings situated in Hong Kong valued on a depreciated replacement cost basis (Note a), less depreciation	528,068	184,074
Freehold land and buildings situated outside Hong Kong valued on an open market basis (Note b)	352,905	–
	880,973	184,074

Note: (a) *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 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 rights 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 latest valuation performed on these properties was carried out by Chesterton Petty Limited, an independent valuer, at 30 June 2001.*

(b) *As at 31 March 2003, freehold land and buildings situated outside Hong Kong included land and buildings with an aggregate carrying value of HK$351,875,000 situated in Taiwan which were acquired from independent third parties during the year.*

(c) *The carrying amount of land and buildings held by the Group and the Company would have been HK$916,267,000 (2002: HK$576,488,000) and HK$207,274,000 (2002: HK$211,684,000) respectively had they been stated at cost less accumulated depreciation.*

(d) *At 31 March 2003, certain of the Group's land and buildings with a total net book value of approximately HK$699 million (2002: approximately HK$540 million) and certain plant and machinery with an aggregate net book value of approximately HK$84 million (2002: approximately HK$93 million) were pledged as securities for the Group's banking facilities (Note 24).*

15 Investments in subsidiaries

	Company	
	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost less provision	2,620,000	2,620,000
Amounts due from subsidiaries, net of provision	1,510,722	431,958
Amounts due to subsidiaries	(956,521)	(244,353)
	3,174,201	2,807,605

As at 31 March 2003, all balances with subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

As at 31 March 2002, except for certain amounts due to subsidiaries of approximately HK$54,000,000 which were interest bearing at prime rate minus 1% per annum, all balances with subsidiaries were unsecured and interest free, and had no fixed terms of repayment.

Particulars of the principal subsidiaries of the Group at 31 March 2003 are set out in Note 30.

16 Investments in associated companies

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'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	–	–

Details of the principal associated company at 31 March 2003 are as follows:

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

	Group	
	2003 HK$'000	**2002 HK$'000**
Raw materials	89,370	60,943
Work-in-progress	2,156	2,660
Finished goods	215	294
	91,741	63,897

At 31 March 2003 and 2002, all inventories were stated at cost.

18 Accounts receivable, deposits and prepayments

	Group		Company	
	2003 HK$'000	**2002 HK$'000**	**2003 HK$'000**	**2002 HK$'000**
Accounts receivable, net	292,536	312,519	–	–
Prepayments	45,223	9,696	–	–
Deposits for the acquisition of fixed assets	22,164	397	–	–
Rental and other deposits	3,039	3,589	–	18
Others	2,974	8,088	348	1,376
	365,936	334,289	348	1,394

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

At 31 March 2003 and 2002, the aging analysis of the accounts receivable of the Group was as follows:

	2003 HK$'000	**2002 HK$'000**
0 – 1 month	109,805	138,877
1 – 3 month	139,772	136,858
Over 3 months	74,609	72,520
	324,186	348,255
Less: Provisions for bad and doubtful debts	(31,650)	(35,736)
	292,536	312,519

19 Bank balances and cash

As at 31 March 2003, included in the bank balances and cash was an amount of HK$6,420,000 (2002: HK$Nil) which was restricted for the use of settling certain debts and claims as stipulated as part of the Capital Reduction exercise described in Note 23.

20 Accounts payable and accrued charges

	Group		Company	
	2003 HK$'000	**2002 HK$'000**	**2003 HK$'000**	**2002 HK$'000**
Accounts payable	102,006	59,991	–	–
Accrued charges	292,996	158,307	6,039	8,026
	395,002	218,298	6,039	8,026

At 31 March 2003 and 2002, the aging analysis of accounts payable of the Group was as follows:

	2003 HK$'000	**2002 HK$'000**
0 – 1 month	65,840	33,707
1 – 3 month	23,358	20,548
Over 3 months	12,808	5,736
	102,006	59,991

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 2001, ordinary shares of HK$0.20 each	–	–	4,500,000,000	900,000
Consolidation of ordinary shares	–	–	(3,600,000,000)	–
Increase in authorised share capital	1,160,000,000	2,030,000	1,670,000,000	1,670,000
At 31 March 2002 and 31 March 2003, 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 2001, ordinary shares of HK$0.20 each	–	–	3,238,193,810	647,639
Consolidation of ordinary shares	–	–	(2,590,555,048)	–
Issue of new shares	1,160,000,000	2,030,000	586,022,414	586,022
At 31 March 2002 and 31 March 2003	1,160,000,000	2,030,000	1,233,661,176	1,233,661

	2003 HK$'000	2002 HK$'000
Total share capital		
Ordinary shares of HK$1.00 each	1,233,661	1,233,661
Preference shares of HK$1.75 each	2,030,000	2,030,000
	3,263,661	3,263,661

22 Share option schemes

(a) Share Option Scheme adopted by the Company

(i) 1993 Option Scheme

Pursuant to a Share Option Scheme adopted by the Company on 20 September 1993 (the "1993 Option Scheme"), the following options have been granted to employees of the Group to subscribe for ordinary shares in the Company in accordance with the terms thereof. The options are exercisable within ten years from the respective dates of grant. There was no movement in the share options under the 1993 Option Scheme during the year. Details of the terms of the share options under the 1993 Option Scheme are as follows:

Category of grantee	Date of grant	Exercise price per share	Exercisable period	Number of options 2003	2002
An employee	11/01/1994	HK$4.21	21/01/1995 – 21/01/2004	71,136	71,136
	10/06/1999	HK$1.00	15/01/2000 – 15/06/2009	81,505	81,505
				152,641	152,641

The 1993 Option Scheme will expire on 19 September 2003. No further options will be granted under the 1993 Option Scheme. The exercise of any outstanding options granted under the 1993 Option Scheme shall continue to be governed by the terms of the 1993 Option Scheme and other specific terms and conditions in relation to the grant.

22 Share option schemes *continued*

(a) Share Option Scheme adopted by the Company *continued*

(ii) *2000 Option Scheme*

Another share option scheme was adopted by the Company on 29 December 2000 (the "2000 Option Scheme"), under which, the Company may grant options to any of the Company's full time employees and directors or any of its subsidiaries. A nominal consideration of HK$10 was paid by the grantees for each lot of share options granted.

Details of the terms of the share options granted pursuant to the 2000 Option Scheme are as follows:

category of grantee	Date of grant	Exercise price per share	Exercisable period	Number of options 2003	2002
A director	18/03/2002	HK$1.67	19/03/2003 – 28/12/2010	1,618,000	1,618,000
Employees*	18/03/2002	HK$1.67	19/03/2003 – 28/12/2010	22,092,000	23,692,000
				23,710,000	25,310,000

** 1,600,000 options previously granted to employees lapsed during the year.*

The options granted under the 2000 Option Scheme vest as follows:

On 1st anniversary of the date of grant	30% vested
On 2nd anniversary of the date of grant	Further 30% vested
On 3rd anniversary of the date of grant	Remaining 40% vested

The vested share options are exercisable within 10 years after the adoption date of the 2000 Option Scheme.

22 Share option schemes *continued*

(b) Share option schemes adopted by certain subsidiaries

On 31 July 2002, each of Apple Daily Publication Development Limited ("ADPDL") and Next Media Publishing Limited ("NMPL") (collectively the "Subsidiaries"), wholly-owned subsidiaries of the Company, adopted a share option scheme (the "Subsidiary Share Option Schemes"). Under the Subsidiary Share Option Schemes, the Subsidiaries may grant to any of their full-time employees and directors or of any of their subsidiaries options to subscribe for the respective ordinary shares of ADPDL and NMPL. The number of shares which may be issued upon exercise of all outstanding options granted under the Subsidiary Share Option Schemes and any other share option scheme of the Subsidiaries is limited to 30% of the Subsidiaries' shares in issue from time to time.

Movements in the number of share options granted pursuant to the Subsidiary Share Option Schemes during the year are as follows:

	Number of options	
	ADPDL	**NMPL**
At 1 April 2002	–	–
Granted	805,000	275,000
At 31 March 2003	805,000	275,000

23 Reserves

	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 2001, as previously reported	687,477	251	(427)	(15,559)	(1,092,478)	(420,736)
Provision for annual leave entitlements resulting from the adoption of revised SSAP 34 (Note 2(l)(i))	–	–	–	–	(19,451)	(19,451)
1 April 2001, as restated	687,477	251	(427)	(15,559)	(1,111,929)	(440,187)
Premium on issue of shares	219,759	–	–	–	–	219,759
Issuing expenses	(42,153)	–	–	–	–	(42,153)
Currency realignment	–	–	(203)	–	–	(203)
Surplus on revaluation	–	972	–	–	–	972
Minority interests' share of surplus on revaluation	–	(62)	–	–	–	(62)
Profit for the year	–	–	–	–	26,549	26,549
At 31 March 2002	865,083	1,161	(630)	(15,559)	(1,085,380)	(235,325)
Company and subsidiaries	865,083	1,161	(630)	(15,559)	(1,078,622)	(228,567)
Associated companies	–	–	–	–	(6,758)	(6,758)
At 31 March 2002	865,083	1,161	(630)	(15,559)	(1,085,380)	(235,325)

23 Reserves *continued*

	Group					
	Share premium HK$'000	**Property revaluation reserve HK$'000**	**Translation reserve HK$'000**	**Goodwill reserve HK$'000**	**(Accumulated losses) / retained profits HK$'000**	**Total HK$'000**
1 April 2002, as previously reported	865,083	1,161	(630)	(15,559)	(1,065,929)	(215,874)
Provision for annual leave entitlements resulting from the adoption of revised SSAP 34 (Note 2(l)(i))	–	–	–	–	(19,451)	(19,451)
1 April 2002, as restated	865,083	1,161	(630)	(15,559)	(1,085,380)	(235,325)
Capital reduction (Note)	(828,937)	–	–	–	828,937	–
Currency realignment	–	–	(5,806)	–	–	(5,806)
Profit for the year	–	–	–	–	367,552	367,552
At 31 March 2003	36,146	1,161	(6,436)	(15,559)	111,109	126,421
Company and subsidiaries	36,146	1,161	(6,436)	(15,559)	117,867	133,179
Associated companies	–	–	–	–	(6,758)	(6,758)
At 31 March 2003	36,146	1,161	(6,436)	(15,559)	111,109	126,421

	Company			
	Share premium HK$'000	**Property revaluation reserve HK$'000**	**(Accumulated losses) / retained profits HK$'000**	**Total HK$'000**
At 1 April 2001	687,477	–	(1,108,607)	(421,130)
Premium on issue of shares	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)
At 1 April 2002	865,083	764	(1,213,540)	(347,693)
Capital reduction (Note)	(828,937)	–	828,937	–
Profit for the year	–	–	387,495	387,495
At 31 March 2003	36,146	764	2,892	39,802

23 Reserves *continued*

Note: *During the year, with the sanction of the High Court of Hong Kong and the approval of shareholders, the Company carried out a capital reduction exercise to reduce the Company's share premium account by HK$828,937,000 (the "Capital Reduction"). Details of the Capital Reduction were set out in the Company's circular to shareholders dated 28 November 2002. Following the completion of the Capital Reduction on 27 February 2003 (the "Effective Date"), the share premium account was reduced from HK$865,083,000 to HK$36,146,000. A credit of HK$828,937,000 arising from the Capital Reduction was applied to eliminate the accumulated losses of the Company at the same date.*

The Company undertook that, upon the completion of the Capital Reduction, it would place cash deposits of HK$7,000,000 into a trust account with one of its major bankers, restricted for the use of settling debts and claims of persons entitled to any debt of or claim against the Company (the "Relevant Debts") outstanding as at the Effective Date. On 28 February 2003, the said deposits of HK$7,000,000 were duly placed. As at 31 March 2003, approximately HK$580,000 had been withdrawn from the trust account to settle certain of the Relevant Debts, leaving approximately HK$6,420,000 available for future application.

24 Long-term liabilities

	Group		Company	
	2003 HK$'000	**2002 HK$'000**	**2003 HK$'000**	**2002 HK$'000**
Loans, secured (Note)	275,929	249,780	65,940	84,780
Current portion of long-term liabilities	(70,548)	(58,840)	(18,840)	(18,840)
	205,381	190,940	47,100	65,940
An analysis of the above is as follows:				
Bank loans, repayable				
– within one year	70,548	58,840	18,840	18,840
– in the second year	70,986	58,840	18,840	18,840
– in the third to fifth years, inclusive	112,489	132,100	28,260	47,100
– after the fifth year	21,906	–	–	–
	275,929	249,780	65,940	84,780
Less: current portion	(70,548)	(58,840)	(18,840)	(18,840)
Amounts due after one year	205,381	190,940	47,100	65,940

Note: *As at 31 March 2003, the Group's banking facilities were secured by the following:*

– Certain of the Group's land and buildings with an aggregate net book value of approximately HK$699 million; and

– Certain of the Group's plant and machinery with an aggregate net book value of approximately HK$84 million.

25 Retirement benefit costs

	2003 HK$'000	2002 HK$'000
Obligations on:		
Pensions – defined contribution plans (Note (a))	247	420
Pensions – defined benefit plans (Note (b))	6,747	1,251
	6,994	1,671

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

The Group's and the employees' contributions to the HK Schemes are each set at 5% of the employees' salaries including basic salaries, commission and certain bonuses.

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

The HK Schemes and the MPF Scheme were established under trust with the assets of the funds held separately from those of the Group by an independent trustee.

Forfeited contributions totalling HK$4,179,000 (2002: HK$2,851,000) were utilised during the year. At 31 March 2003, HK$305,000 (2002: HK$Nil) was available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2003, the Group had contributions payable under the HK Schemes and the MPF Scheme totalling HK$247,000 (2002: HK$420,000) which amount is included in accounts payable and accrued charges under current liabilities in the consolidated balance sheet.

(b) The Group also operates two defined benefit retirement schemes for its eligible employees in Taiwan ("Taiwan Schemes"). According to the Labor Standards Law, the Group's contributions to the Taiwan Schemes should not be less than 2% of the employees' salaries. The assets of the Taiwan Schemes are held under a state-run trust separate from those of the Group. As at 31 March 2003, the Taiwan Schemes were valued by a qualified actuary, PricewaterhouseCoopers, using the projected unit credit method.

25 Retirement benefit costs *continued*

(b) The amounts recognised in the balance sheet are determined as follows:

	Group	
	2003 HK$'000	**2002 HK$'000**
Present value of funded obligations	7,585	1,251
Fair value of plan assets	(800)	–
	6,785	1,251
Unrecognised actuarial losses	(38)	–
Liability in the balance sheet	6,747	1,251

The amounts recognised in the consolidated profit and loss account were as follows:

	2003 HK$'000	**2002 HK$'000**
Current service cost	6,165	1,251
Interest cost	110	–
Total, included in staff costs (Note 11)	6,275	1,251

Of the total charge, HK$6,275,000 (2002: HK$1,251,000) was included in personnel costs.

The actual return on plan assets recognised as an asset was approximately HK$3,000 (2002: HK$Nil).

Movement in the liability recognised in the balance sheet:

	Group	
	2003 HK$'000	**2002 HK$'000**
At 1 April	1,251	–
Exchange differences	18	–
Total expense – as shown above	6,275	1,251
Contributions paid	(797)	–
At 31 March	6,747	1,251

25 Retirement benefit costs *continued*

(b) The principal actuarial assumptions used were as follows:

	2003 %	2002 %
Discount rate	3.50	4.25
Expected rate of return on plan assets	2.75	4.00
Expected rate of future salary increases	3.00	3.25

26 Deferred taxation

Deferred taxation is calculated on timing differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

	Group		Company	
	2003 HK$'000	2002 HK$'000	2003 HK$'000	2002 HK$'000
At 1 April	58,846	441	304	–
Currency realignment	–	(2)	–	–
Acquisition of subsidiaries	–	45,624	–	–
Provision for the year (Note 8)	22,059	12,783	199	304
At 31 March	80,905	58,846	503	304
Tax effect of timing difference in relation to:				
Tax losses carried forward	(843)	(19,774)	–	–
Accelerated depreciation allowances	82,222	79,729	537	334
Other timing differences	(474)	(1,109)	(34)	(30)
	80,905	58,846	503	304

As at 31 March 2003, the Group has unrecognised potential deferred tax assets of HK$155,065,000 (2002: HK$152,002,000) 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 these will crystallise in the foreseeable future.

27 Consolidated cash flow statement

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

	2003 HK$'000	2002 HK$'000
Operating profit	456,891	63,560
Interest income	(8,904)	(4,319)
Depreciation	102,848	66,714
Amortisation of intangible assets	75,864	37,735
Loss on disposal of fixed assets	988	7,130
Impairment of fixed assets	–	9,468
Operating profit before working capital changes	627,687	180,288
(Increase) / decrease in inventories	(27,844)	29,700
(Increase) / decrease in accounts receivable, deposits and prepayments	(31,647)	119,210
Increase / (decrease) in accounts payable and accrued charges	106,707	(15,732)
Increase in pensions obligations	5,496	1,251
Effect on foreign exchange rate changes	(5,685)	(181)
Net cash inflow generated from operations	674,714	314,536

27 Consolidated cash flow statement *continued*

(b) Analysis of changes in financing during the year

	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
At 1 April 2001	647,639	687,477	2,111	112,564	973	215,781
Issue of new shares for acquisition of Database Gateway Limited ("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 interests' share of movements in reserve*	–	–	62	–	–	–
Exchange realignment*	–	–	4	–	–	–
At 31 March 2002	3,263,661	865,083	2,348	249,780	–	–

** representing non-cash transactions*

27 Consolidated cash flow statement *continued*

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

	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
At 1 April 2002	3,263,661	865,083	2,348	249,780	–	–
Capital reduction*	–	(828,937)	–	–	–	–
Repayment of bank and other borrowings	–	–	–	(60,736)	–	–
New bank and other borrowings	–	–	–	86,885	–	–
Minority share of loss for the year*	–	–	(23)	–	–	–
At 31 March 2003	3,263,661	36,146	2,325	275,929	–	–

** representing non-cash transactions*

28 Contingent liabilities

(a) Pending litigations

As at 31 March 2003, 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 ("UDL") as contractor for the construction of a printing facility 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 of DGL and its subsidiaries on 26 October 2001, Mr. Jimmy Lai, chairman and a major shareholder of the Company, 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 (the "Indemnity"). In relation to the Indemnity, Mr. Jimmy Lai 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 his obligations under the Indemnity.

28 Contingent liabilities *continued*

(a) Pending litigations *continued*

The Directors of the Company, having taken into consideration the advice from the Group's legal counsels and the Indemnity given by Mr. Jimmy 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	
	2003 HK$'000	**2002 HK$'000**	**2003 HK$'000**	**2002 HK$'000**
Guarantees given to financial institutions in respect of credit facilities granted to subsidiaries	–	–	184,700	190,700

29 Commitments

(a) Capital commitments in respect of acquisition of fixed assets

	Group		Company	
	2003 HK$'000	**2002 HK$'000**	**2003 HK$'000**	**2002 HK$'000**
Contracted but not provided for	21,986	658	–	–

(b) Commitments under operating leases

At 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings HK$'000	**Other assets HK$'000**	**Total HK$'000**
At 31 March 2003			
Not later than one year	3,925	12,293	16,218
Later than one year but not later than five years	1,305	2,704	4,009
	5,230	14,997	20,227
At 31 March 2002			
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

30 Particulars of principal subsidiaries

Particulars of principal subsidiaries of the Group at 31 March 2003 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 each	100	
Apple Daily Limited	Hong Kong	Publication and selling of newspaper and selling of newspaper advertising space	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	
Apple Daily Publication Development Limited	Hong Kong / Taiwan	Publication and selling of newspaper and selling of newspaper advertising space	10,000,000 ordinary shares of HK$0.01 each	100	
Book Art Inc.	Canada	Printing agency	100 common shares of C$1 each	70	(b)
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	

30 Particulars of principal subsidiaries *continued*

Name	Place of incorporation / operation	Principal activities	Particulars of issued and paid up share capital	Interest held (%)	Note
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 and selling of magazine advertising space	2 ordinary shares of HK$1 each	100	
Job Finder Limited	Hong Kong	Selling of magazine advertising space	10,000 ordinary shares 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 and selling of magazines	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 Management Services Limited	Hong Kong	Provision of management services	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
Next Media Publishing Limited	Hong Kong / Taiwan	Publication and selling of magazines and selling of magazine advertising space	10,000,000 ordinary shares of HK$0.01 each	100	
Paramount Printing Company Limited	Hong Kong	Provision of printing services	15,000 ordinary shares of HK$100 each	100	(a)
Paramount Printing (USA) Inc.	USA	Printing agency	100 common shares of US$0.01 each	100	(b)
Rainbow Digicolor Inc.	Canada	Provision of reprographic services	100 common shares of C$0.1 each	70	(b)
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 and selling of magazine advertising space	2 ordinary shares of HK$1 each	100	
World Wine Web Limited	Hong Kong	Website development	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.

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

(b) *The accounts of these subsidiaries have not been audited by PricewaterhouseCoopers. The aggregate net liabilities and profit for the year of these subsidiaries attributable to the Group amounted to approximately HK$14,025,000 (2002: HK$17,112,000) and HK$3,446,000 (2002: loss of HK$1,281,000) respectively.*

31 Approval of accounts

The accounts were approved by the board of directors on 9 June 2003.