

## Notes to the Accounts

### 1 Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under historical cost convention except that, as disclosed in the accounting policies below, land and buildings are stated at fair value.

In the current year, the Group adopted the revised Statement of Standard Accounting Practice ("SSAP") No. 12 "Income taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1 January 2003. Details of the revised accounting policy are set out in note 2(n) below.

### 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.

#### (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.

## 2 Principal accounting policies *(continued)*

### (b) Associated companies *(continued)*

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) Books, magazines and newspapers 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) Rental income is recognised on a straight-line basis over the term of the lease.

### (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.

## Notes to the Accounts

**2 Principal accounting policies** *(continued)***(d) Intangible assets** *(continued)***(i) Goodwill/negative goodwill** *(continued)*

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 account 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 newspaper and 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. Construction in progress is 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, construction in progress is transferred to fixed assets at cost less accumulated impairment losses.

**(ii) Other fixed assets**

Other fixed assets, except land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses.

## 2 Principal accounting policies *(continued)*

### (e) Fixed assets *(continued)*

#### (ii) *Other fixed assets* *(continued)*

Land and buildings are stated at valuation. 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 revaluation 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 any amount previously debited. Upon 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, 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 consolidated 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.

## Notes to the Accounts

### 2 Principal accounting policies *(continued)*

#### (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 the carrying values of 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 there is a revaluation surplus for that same asset, in which case it is treated as a revaluation decrease to the extent of the surplus available.

#### (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 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.

## 2 Principal accounting policies *(continued)*

### (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

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

### (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.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

## Notes to the Accounts

### 2 Principal accounting policies *(continued)*

#### (I) Employee benefits *(continued)*

##### (ii) *Profit sharing and bonus plans*

The expected cost 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 obligation 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.

##### (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 benefits 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 plans, pension costs are assessed using the projected unit credit method, under which the cost of providing pensions is charged to the consolidated profit and loss account so as to spread the 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.

## 2 Principal accounting policies *(continued)*

### (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

In accordance with the revised SSAP 12, except for deferred tax assets as explained below, deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the revised SSAP12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As a result of this change in accounting policy, deferred tax liabilities as at 31 March 2003 have been increased by HK\$303,397,000 (2002: HK\$293,065,000) with corresponding adjustments to:

- (i) increase intangible assets as at 31 March 2003 by HK\$277,391,000 (2002: HK\$293,065,000), representing the effect on temporary differences arising from business combinations in prior years; and,
- (ii) reduce profit for the year ended 31 March 2003 and retained earnings as at 31 March 2003 by HK\$26,006,000 (2002: Nil), representing the increase in the above additional deferred tax liabilities as a result of the change in tax rate from 16% to 17.5% which should have been charged against the consolidated profit and loss account for the year ended 31 March 2003.

Both the amortisation charge for intangible assets and the credit to profit for deferred taxation for the year ended 31 March 2003 increased by HK\$15,674,000 (2002: HK\$7,698,000) with no net effect on the consolidated profit and loss account.



## Notes to the Accounts

### 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.

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 arising in these cases are dealt with as movements in reserves.

#### (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 consolidated 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 and exclude items such as deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as taxation, deferred taxation and bank borrowings. Capital expenditure represents additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchase of subsidiaries.

In respect of geographical segment reporting, sales are based on the country 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 publication of newspapers, books and magazines, the sales of advertising space in newspapers, books and magazines, the provision of printing and reprographic services, the delivery of Internet content and the sales of advertising space on websites. Revenues recognised during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of newspapers	565,382	462,883
Sales of books and magazines	317,868	294,130
Newspapers advertising income	929,004	815,277
Books and magazines advertising income	468,063	421,491
Printing and reprographic services income	135,923	141,958
Internet content provision and advertising income	20,869	14,333
	<b>2,437,109</b>	2,150,072
Other revenues		
Sales of waste materials	17,693	6,428
Sales of other publications	–	765
Interest income on bank deposits	2,343	8,904
Rental income	2,063	2,013
Others	4,469	4,241
	<b>26,568</b>	22,351
Total revenues	<b>2,463,677</b>	2,172,423

### 4 Segmental information

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

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

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

## Notes to the Accounts

## 4 Segmental information (continued)

## Analysis of business segment results for the year ended 31 March 2004

	Newspapers 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 segment transactions HK\$'000	Group HK\$'000
Turnover	1,531,052	785,952	255,968	20,926	(156,789)	2,437,109
Segment results	(192,629)	103,932	44,163	9,534	–	(35,000)
Other revenues						26,568
Operating loss						(8,432)
Finance costs						(7,439)
Loss before taxation						(15,871)
Taxation						(74,085)
Loss after taxation						(89,956)
Minority interests						36
Loss attributable to shareholders						(89,920)
Segment assets	3,214,850	794,918	427,705	3,199	(26,617)	4,414,055
Investments in associated companies						(830)
Unallocated assets						9,481
Total assets						4,422,706
Segment liabilities	(267,447)	(118,881)	(43,010)	(7,025)	26,617	(409,746)
Unallocated liabilities						(687,959)
Total liabilities						(1,097,705)
Capital expenditure	(116,457)	(10,276)	(15,066)	(508)	–	(142,307)
Depreciation of fixed assets	(105,083)	(13,953)	(18,613)	(207)	–	(137,856)
Amortisation	(61,991)	(29,548)	–	–	–	(91,539)
Revaluation deficit of fixed assets	(3,839)	–	–	–	–	(3,839)
Other non-cash expenses	(5,225)	(1,165)	(1,141)	(179)	–	(7,710)

#### 4 Segmental information *(continued)*

Analysis of business segment results for the year ended 31 March 2003 (Restated – *Note 2(n)*)

	Newspapers 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 segment transactions HK\$'000	Group HK\$'000
Turnover	1,309,411	715,642	242,080	14,383	(131,444)	2,150,072
Segment results	361,918	25,746	27,567	3,635	–	418,866
Other revenues						22,351
Operating profit						441,217
Finance costs						(11,645)
Profit before taxation						429,572
Taxation						(88,049)
Profit after taxation						341,523
Minority interests						23
Profit attributable to shareholders						341,546
Segment assets	3,215,849	894,022	380,010	2,319	(27,221)	4,464,979
Investments in associated companies						(830)
Total assets						4,464,149
Segment liabilities	(267,219)	(115,260)	(38,327)	(5,545)	27,221	(399,130)
Unallocated liabilities						(700,943)
Total liabilities						(1,100,073)
Capital expenditure	(711,566)	(102,875)	(1,277)	(15)	–	(815,733)
Depreciation of fixed assets	(64,270)	(19,335)	(18,073)	(1,170)	–	(102,848)
Amortisation	(61,991)	(29,547)	–	–	–	(91,538)
Other non-cash expenses	477	(2,971)	(570)	1,595	–	(1,469)

## Notes to the Accounts

## 4 Segmental information (continued)

## Secondary reporting format – geographical segments

	2004		2003	
	Turnover HK\$'000	Segment result HK\$'000	Turnover HK\$'000	Restated (Note 2(n)) Segment result HK\$'000
Hong Kong	1,896,885	498,047	1,929,475	513,189
Taiwan	465,500	(563,839)	130,207	(116,798)
North America	48,176	17,054	64,961	15,665
Europe	20,999	10,808	20,600	5,453
Australasia	5,549	2,930	4,829	1,357
	<b>2,437,109</b>	<b>(35,000)</b>	2,150,072	418,866
Other revenues		26,568		22,351
Operating (loss)/profit		<b>(8,432)</b>		441,217

  

	2004		2003	
	Total assets HK\$'000	Capital expenditure HK\$'000	Total assets HK\$'000	Restated (Note 2(n)) Capital expenditure HK\$'000
Hong Kong	3,222,836	27,572	3,501,115	9,646
Taiwan	1,182,462	114,708	958,035	806,063
North America	8,757	27	5,829	24
	<b>4,414,055</b>	<b>142,307</b>	4,464,979	815,733
Investments in associated companies	(830)		(830)	
Unallocated assets	9,481		–	
Total assets	<b>4,422,706</b>		4,464,149	

**5 Other expenses**

	2004 HK\$'000	2003 HK\$'000
Revaluation deficit of fixed assets	3,839	–
Loss on disposal of fixed assets	237	988
	<b>4,076</b>	988

**6 Operating (loss)/profit**

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

	2004 HK\$'000	2003 HK\$'000
Auditors' remuneration	1,950	2,000
Exchange loss, net	659	1,330
Staff costs (Note 11)	907,136	729,603
Costs of raw materials consumed in production	891,350	527,743
Provisions for bad and doubtful debts	7,473	481
Operating lease expenses on:		
Properties	6,797	7,061
Other assets	13,117	11,091

**7 Finance costs**

	2004 HK\$'000	2003 HK\$'000
Interest expenses on:		
– Bank borrowings	7,439	12,473
– Others	–	8
Total borrowing costs incurred	7,439	12,481
Less: Interest capitalised in construction in progress	–	(836)
	<b>7,439</b>	11,645

## Notes to the Accounts

**8 Taxation**

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 16%) on the estimated assessable profit for the year. In 2003, the Hong Kong government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

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

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

	2004 HK\$'000	Restated (Note 2(n)) 2003 HK\$'000
Hong Kong profits tax	106,406	55,552
(Over)/under provision in prior years	(1,074)	106
Deferred taxation relating to the origination and reversal of temporary differences		
– as previously reported	(31,247)	15,123
– effect of change in accounting policy (Note 2(n))	–	(15,674)
Deferred taxation resulting from an increase in tax rate		
– as previously reported	–	6,936
– effect of change in accounting policy (Note 2(n))	–	26,006
	<b>74,085</b>	<b>88,049</b>

## 8 Taxation *(continued)*

The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2004 HK\$'000	2003 HK\$'000
(Loss)/profit before taxation	(15,871)	429,572
Calculated at a taxation rate of 17.5% (2003: 16%)	(2,777)	68,731
Effect of different taxation rates in other regions	(39,502)	(8,656)
Income not subject to taxation	(1,045)	(2,483)
Expenses not deductible for taxation purposes	5,822	1,193
(Over)/under provision in prior years	(1,074)	106
Recognition of previously unrecognised deferred taxation	(18,254)	3,957
Utilisation of previously unrecognised tax losses	(4,987)	(33,756)
Tax losses not recognised	126,316	23,755
Temporary differences not recognised	9,586	2,260
Increase in opening net deferred tax liabilities arising from increase in tax rate	–	32,942
Taxation charge	74,085	88,049

## 9 (Loss)/profit attributable to shareholders

Included in the loss attributable to shareholders of HK\$89,920,000 (2003: profit of HK\$341,546,000, as restated) is a loss of HK\$684,000 (2003: profit of HK\$387,495,000) which has been dealt with in the accounts of the Company.



## Notes to the Accounts

**10 (Loss)/earnings per share**

The calculation of the basic (loss)/earnings per share is based on the loss for the year of HK\$89,920,000 (2003: profit of HK\$341,546,000, as restated) and the weighted average of 1,410,756,130 ordinary shares (2003: 1,233,661,176 ordinary shares) in issue during the year.

No diluted loss per share for the year ended 31 March 2004 has been presented as the exercise of the conversion rights attached to the preference shares and the exercise of the share options would be anti-dilutive.

The calculation of fully diluted earnings per share for the year ended 31 March 2003 was based on the weighted average of 1,233,661,176 ordinary shares in issue during that year plus the weighted average of 1,162,227,807 ordinary shares deemed to have been issued at no consideration assuming all outstanding share options had been exercised and all the preference shares had been converted into ordinary shares of the Company.

**11 Staff costs**

	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Wages, salaries and benefits in kind	<b>876,785</b>	706,214
Pension costs – defined contribution plans, net of forfeited contributions <i>(Note 25(a))</i>	<b>21,592</b>	17,114
Pension costs – defined benefits plans <i>(Note 25(b))</i>	<b>8,759</b>	6,275
	<b>907,136</b>	729,603

The staff costs for the year ended 31 March 2004 included directors' emoluments of HK\$15,384,000 (2003: HK\$14,577,000) 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:

	2004 HK\$'000	2003 HK\$'000
Fees		
Executive directors	954	400
Independent non-executive directors	478	200
Other emoluments – Executive directors		
Salaries and benefits in kind	13,528	13,554
Pension costs – defined contribution plans	424	423
	<b>15,384</b>	14,577

During the year, 50,000 (2003: 175,000) options were granted to a (2003: two) director of the Company under the Subsidiary Share Option Schemes and no (2003: no) options were granted to any directors of the Company under the 2000 Option Scheme (Note 22).

50,000 options under the Subsidiary Share Option Schemes and 2,536,000 options under the 2000 Option Scheme granted in prior years were held by a director newly appointed during the year.

The emoluments disclosed above include expenses of HK\$2,210,000 (2003: HK\$2,379,000) paid by the Group under two operating leases in respect of residential accommodation provided to an executive director in Hong Kong and Taiwan.

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
HK\$Nil-HK\$1,000,000	3	2
HK\$2,000,001-HK\$2,500,000	1	1
HK\$2,500,001-HK\$3,000,000	3	3
HK\$3,500,001-HK\$4,000,000	1	1

## Notes to the Accounts

**12 Directors' and senior management's emoluments** *(continued)***(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include four (2003: three) directors, whose emoluments are included in the analysis presented above. The emoluments payable to the remaining one (2003: two) highest paid individual for the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Salaries and benefits in kind	3,396	6,114
Pension costs – defined contribution plans	138	228
	<b>3,534</b>	6,342

The emoluments of these individuals fell within the following bands:

Emolument bands	Number of individuals	
	2004	2003
HK\$3,000,001-HK\$3,500,000	–	2
HK\$3,500,001-HK\$4,000,000	1	–

- (c) During the years ended 31 March 2004 and 2003, the Group did not pay any amounts to any of the directors or 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 2004 and 2003, no director waived or agreed to waive any emoluments.

## 13 Intangible assets

	Masthead and publishing rights HK\$'000
<b>Cost</b>	
At 1 April 2003, as previously reported	1,517,274
Effect of change in accounting policy <i>(Note 2(n))</i>	303,656
At 1 April 2003, as restated, and 31 March 2004	1,820,930
<b>Accumulated amortisation</b>	
At 1 April 2003, as previously reported	128,788
Effect of change in accounting policy <i>(Note 2(n))</i>	26,265
At 1 April 2003, as restated	155,053
Amortisation	91,539
At 31 March 2004	246,592
<b>Net book value</b>	
At 31 March 2004	1,574,338
At 31 March 2003, as restated	1,665,877

## Notes to the Accounts

## 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
<b>Cost or valuation</b>							
At 1 April 2003	389,226	893,693	37,490	671,710	141,480	5,481	2,139,080
Currency realignment	-	11,338	711	681	3,517	42	16,289
Additions	-	11,982	7,012	62,796	59,598	919	142,307
Reclassification	(389,226)	-	-	388,182	1,044	-	-
Disposals	-	-	(128)	(1,329)	(16,713)	(381)	(18,551)
Revaluation	-	(32,687)	-	-	-	-	(32,687)
At 31 March 2004	-	884,326	45,085	1,122,040	188,926	6,061	2,246,438
<b>Accumulated depreciation and impairment losses</b>							
At 1 April 2003	-	12,720	8,751	211,089	60,141	2,121	294,822
Currency realignment	-	243	74	1,432	1,724	12	3,485
Charge for the year	-	15,885	4,038	75,869	40,553	1,511	137,856
Disposals	-	-	(96)	(1,082)	(16,015)	(304)	(17,497)
Revaluation	-	(28,848)	-	-	-	-	(28,848)
At 31 March 2004	-	-	12,767	287,308	86,403	3,340	389,818
<b>Net book value</b>							
At 31 March 2004	-	884,326	32,318	834,732	102,523	2,721	1,856,620
At 31 March 2003	389,226	880,973	28,739	460,621	81,339	3,360	1,844,258

#### 14 Fixed assets *(continued)*

The analysis of the cost or valuation at 31 March 2004 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	-	-	45,085	1,122,040	188,926	6,061	1,362,112
At valuation	-	884,326	-	-	-	-	884,326
	-	884,326	45,085	1,122,040	188,926	6,061	2,246,438

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

## Notes to the Accounts

## 14 Fixed assets (continued)

	Land and buildings HK\$'000	Company Leasehold improvements HK\$'000	Total HK\$'000
<b>Cost or valuation</b>			
At 1 April 2003	188,257	12,047	200,304
Additions	–	169	169
Revaluation	(8,366)	–	(8,366)
<b>At 31 March 2004</b>	<b>179,891</b>	<b>12,216</b>	<b>192,107</b>
<b>Accumulated depreciation</b>			
At 1 April 2003	4,183	1,338	5,521
Charge for the year	4,183	244	4,427
Revaluation	(8,366)	–	(8,366)
<b>At 31 March 2004</b>	<b>–</b>	<b>1,582</b>	<b>1,582</b>
<b>Net book value</b>			
<b>At 31 March 2004</b>	<b>179,891</b>	<b>10,634</b>	<b>190,525</b>
At 31 March 2003	184,074	10,709	194,783

The analysis of the cost or valuation at 31 March 2004 of the above assets is follows:

	Land and buildings HK\$'000	Company Leasehold improvements HK\$'000	Total HK\$'000
At cost	–	12,216	12,216
At valuation	179,891	–	179,891
	<b>179,891</b>	<b>12,216</b>	<b>192,107</b>

## 14 Fixed assets (continued)

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

	Land and buildings HK\$'000	Company Leasehold improvements HK\$'000	Total HK\$'000
At cost	–	12,047	12,047
At valuation	188,257	–	188,257
	188,257	12,047	200,304

Except for the overseas freehold land and buildings with a total net book value of HK\$368,198,000 (2003: HK\$352,905,000) 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 2004, the Group's and the Company's land and buildings were valued as follows:**

	Group HK\$'000	Company HK\$'000
<b>Leasehold land and buildings situated in Hong Kong valued on a depreciated replacement cost basis (Note a), less depreciation</b>	<b>516,128</b>	<b>179,891</b>
<b>Freehold land and buildings situated outside Hong Kong valued on an open market basis (Note b)</b>	<b>368,198</b>	<b>–</b>
	<b>884,326</b>	<b>179,891</b>

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 right of first refusal to purchase by HKSTP. Accordingly, the properties were valued on a depreciated replacement cost basis which is the aggregate of the land value in its existing use and the estimated replacement costs of the buildings. The latest valuation performed on these properties was carried out by Chesterton Petty Limited, an independent valuer, at 26 April 2004.



## Notes to the Accounts

**14 Fixed assets** (continued)

- (b) As at 31 March 2004, freehold land and buildings situated outside Hong Kong included land and buildings with an aggregate carrying value of HK\$366,997,000 (2003: HK\$351,875,000) situated in Taiwan which were valued on an open market basis and the latest valuation performed on these properties was carried out by Colliers International Limited, Taiwan Branch, an independent valuer, at 31 March 2004.
- (c) The carrying amount of land and buildings held by the Group and the Company would have been HK\$908,426,000 (2003: HK\$916,267,000) and HK\$202,863,000 (2003: HK\$207,274,000) respectively had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (d) At 31 March 2004, certain of the Group's land and buildings with a total net book value of HK\$695,784,000 (2003: HK\$698,998,000) and certain plant and machinery with an aggregate net book value of HK\$317,811,000 (2003: HK\$84,399,000) were pledged as securities for the Group's banking facilities (Note 24).

**15 Investments in subsidiaries**

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost less provision	2,620,000	2,620,000
Amounts due from subsidiaries, net of provision	2,192,042	1,510,722
Amounts due to subsidiaries	(1,763,555)	(956,521)
	<b>3,048,487</b>	3,174,201

As at 31 March 2004 and 2003, all balances with subsidiaries are unsecured and interest free, and have no fixed terms of repayment.

Particulars of the principal subsidiaries of the Group at 31 March 2004 are set out in note 30.

## 16 Investments in associated companies

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 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 2004 are as follows:

Name	Place of incorporation/ operation	Principal activity	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	
	2004 HK\$'000	2003 HK\$'000
Raw materials	126,634	89,370
Work-in-progress	2,096	2,156
Finished goods	247	215
	128,977	91,741

As at 31 March 2004 and 2003, all inventories were stated at cost.

## Notes to the Accounts

## 18 Accounts receivable, deposits and prepayments

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Accounts receivable, net	409,809	292,536	–	–
Prepayments	55,738	45,223	–	–
Deposits for acquisition of fixed assets	3,626	22,164	–	–
Rental and other deposits	2,791	3,039	–	–
Others	8,533	2,974	1,617	348
	<b>480,497</b>	365,936	<b>1,617</b>	348

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

As at 31 March 2004 and 2003, an analysis of the accounts receivable of the Group by age was as follows:

	2004 HK\$'000	2003 HK\$'000
0 -1 month	159,145	109,805
1 -3 month	170,838	139,772
Over 3 months	112,470	74,609
	<b>442,453</b>	324,186
Less: Provisions for bad and doubtful debts	<b>(32,644)</b>	(31,650)
	<b>409,809</b>	292,536

## 19 Bank balances and cash

As at 31 March 2004, included in the bank balances and cash was an amount of HK\$6,420,000 (2003: HK\$6,420,000) which was restricted for the use of settling certain debts and claims as stipulated as part of a capital reduction exercise carried out in the year ended 31 March 2003.

## 20 Accounts payable and accrued charges

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Accounts payable	97,405	102,006	–	–
Accrued charges	301,026	292,996	6,960	6,039
	<b>398,431</b>	395,002	<b>6,960</b>	6,039

As at 31 March 2004 and 2003, an analysis of accounts payable of the Group by age was as follows:

	2004 HK\$'000	2003 HK\$'000
0 -1 month	58,825	65,840
1 -3 month	26,754	23,358
Over 3 months	11,826	12,808
	<b>97,405</b>	102,006

## 21 Share capital

	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 2002 and 2003, and 31 March 2004, 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

## Notes to the Accounts

## 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 2002 and 2003, Preference shares of HK\$1.75 each and ordinary shares of HK\$1.00 each	1,160,000,000	2,030,000	1,233,661,176	1,233,661
Exercise of share options	–	–	4,973,400	4,974
Conversion of Preference shares	(240,000,000)	(420,000)	240,000,000	240,000
At 31 March 2004, Preference shares of HK\$1.75 each and ordinary shares of HK\$1.00 each	920,000,000	1,610,000	1,478,634,576	1,478,635
			<b>31 March 2004 HK\$'000</b>	<b>31 March 2003 HK\$'000</b>
Total issued and fully paid share capital				
Ordinary shares of HK\$1.00 each			<b>1,478,635</b>	1,233,661
Preference shares of HK\$1.75 each			<b>1,610,000</b>	2,030,000
			<b>3,088,635</b>	3,263,661

## 22 Share option schemes

### (a) Share Option Schemes 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 an employee 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.

Details of the terms and movements 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		
				as at 1/4/2003	lapsed during the year	as at 31/3/2004
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	(71,136)	81,505

The 1993 Option Scheme expired on 19 September 2003 and therefore no further options were granted under this 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.

## Notes to the Accounts

## 22 Share option schemes (continued)

## (a) Share Option Schemes 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 employees and directors of any of its subsidiaries. A nominal consideration of HK\$10 is paid by the grantees for each lot of share options granted.

Details of the terms and movements 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	as at 1/4/2003	Number of options			as at 31/3/2004
					held by a newly appointed director	exercised during the year	lapsed during the year	
Directors	18/03/2002	HK\$1.67	19/03/2003 – 28/12/2010	1,618,000	2,536,000	–	–	4,154,000
Employees	18/03/2002	HK\$1.67	19/03/2003 – 28/12/2010	22,092,000	(2,536,000)	(4,973,400)	(1,019,800)	13,562,800
				23,710,000	–	(4,973,400)	(1,019,800)	17,716,800

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

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") on 31 July 2002. Under the Subsidiary Share Option Schemes, the Subsidiaries may grant to any of their full-time employees and directors or employees and directors 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 2003	805,000	275,000
Granted	125,000	150,000
Lapsed	(105,000)	–
At 31 March 2004	825,000	425,000

Included in the above analysis were 275,000 options granted to the directors of the Company to subscribe for the shares of ADPDL.



## Notes to the Accounts

## 23 Reserves

	Group					
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Goodwill reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2002	865,083	1,161	(630)	(15,559)	(1,085,380)	(235,325)
Currency realignment	–	–	(5,806)	–	–	(5,806)
Capital reduction	(828,937)	–	–	–	828,937	–
Profit for the year, as restated (Note 2(n))	–	–	–	–	341,546	341,546
At 31 March 2003, as restated	36,146	1,161	(6,436)	(15,559)	85,103	100,415
Company and subsidiaries	36,146	1,161	(6,436)	(15,559)	91,861	107,173
An associated company	–	–	–	–	(6,758)	(6,758)
At 31 March 2003, as restated	36,146	1,161	(6,436)	(15,559)	85,103	100,415
<b>At 1 April 2003, as previously reported</b>	<b>36,146</b>	<b>1,161</b>	<b>(6,436)</b>	<b>(15,559)</b>	<b>111,109</b>	<b>126,421</b>
<b>Effect of change in accounting policy (Note 2(n))</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(26,006)</b>	<b>(26,006)</b>
<b>At 1 April 2003, as restated</b>	<b>36,146</b>	<b>1,161</b>	<b>(6,436)</b>	<b>(15,559)</b>	<b>85,103</b>	<b>100,415</b>
Exercise of share options	3,332	–	–	–	–	3,332
Conversion of Preference shares	180,000	–	–	–	–	180,000
Currency realignment	–	–	42,539	–	–	42,539
Loss for the year	–	–	–	–	(89,920)	(89,920)
At 31 March 2004	219,478	1,161	36,103	(15,559)	(4,817)	236,366
Company and subsidiaries	219,478	1,161	36,103	(15,559)	1,941	243,124
An associated company	–	–	–	–	(6,758)	(6,758)
At 31 March 2004	219,478	1,161	36,103	(15,559)	(4,817)	236,366

## 23 Reserves (continued)

	Company			
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2002	865,083	764	(1,213,540)	(347,693)
Capital reduction	(828,937)	–	828,937	–
Profit for the year	–	–	387,495	387,495
At 31 March 2003	36,146	764	2,892	39,802
<b>At 1 April 2003</b>	<b>36,146</b>	<b>764</b>	<b>2,892</b>	<b>39,802</b>
<b>Exercise of share options</b>	<b>3,332</b>	–	–	<b>3,332</b>
<b>Conversion of Preference shares</b>	<b>180,000</b>	–	–	<b>180,000</b>
<b>Loss for the year</b>	–	–	<b>(684)</b>	<b>(684)</b>
<b>At 31 March 2004</b>	<b>219,478</b>	<b>764</b>	<b>2,208</b>	<b>222,450</b>

## Notes to the Accounts

## 24 Long-term liabilities

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Secured bank loans <i>(Note)</i>	<b>296,394</b>	275,929	–	65,940
Current portion of long-term liabilities	<b>(60,636)</b>	(70,548)	–	(18,840)
	<b>235,758</b>	205,381	–	47,100
An analysis of the above is as follows:				
Bank loans, repayable				
– within one year	<b>60,636</b>	70,548	–	18,840
– in the second year	<b>61,095</b>	70,986	–	18,840
– in the third to fifth years, inclusive	<b>166,444</b>	112,489	–	28,260
– after the fifth year	<b>8,219</b>	21,906	–	–
	<b>296,394</b>	275,929	–	65,940
Less: current portion	<b>(60,636)</b>	(70,548)	–	(18,840)
Amount due after one year	<b>235,758</b>	205,381	–	47,100

Note:

As at 31 March 2004, the Group's banking facilities are secured by the following:

- Certain of the Group's land and buildings with an aggregate net book value of HK\$695,784,000; and
- Certain of the Group's plant and machinery with an aggregate net book value of HK\$317,811,000.

## 25 Retirement benefit costs

	2004 HK\$'000	2003 HK\$'000
Obligations on:		
Pensions – defined contribution plans <i>(Note (a))</i>	945	247
Pensions – defined benefit plans <i>(Note (b))</i>	13,935	6,747
	<b>14,880</b>	6,994

- (a) The Group operates two defined contribution retirement schemes (the “HK Schemes”) and a mandatory provident fund scheme (the “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’ 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 independent trustees.

Forfeited contributions totalling HK\$1,293,000 (2003: HK\$4,179,000) were utilised during the year. At 31 March 2004, HK\$22,000 (2003: HK\$305,000) was available to reduce future contributions in respect of the HK Schemes.

As at 31 March 2004, the Group had contributions payable under the HK Schemes and the MPF Scheme totalling HK\$945,000 (2003: HK\$247,000) 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 (the “Taiwan Schemes”). According to the Labor Standards Law of Taiwan, 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 government-run trust separate from those of the Group. As at 31 March 2004, the Taiwan Schemes were valued by a qualified actuary, KPMG Advisory Services Co., Ltd., using the projected unit credit method.

## Notes to the Accounts

**25 Retirement benefit costs** (continued)

The amounts recognised in the consolidated balance sheet are determined as follows:

	2004 HK\$'000	2003 HK\$'000
Present value of funded obligations	16,690	7,585
Fair value of plan assets	(3,118)	(800)
	13,572	6,785
Unrecognised actuarial gains/(losses)	363	(38)
Liability in the balance sheet	13,935	6,747

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

	2004 HK\$'000	2003 HK\$'000
Current service cost	8,512	6,165
Expected return on plan assets	(22)	–
Interest cost	269	110
Total, included in staff costs (Note 11)	8,759	6,275

Of the total charge, HK\$8,759,000 (2003: HK\$6,275,000) was included in personnel costs.

The actual return on plan assets recognised as an asset was approximately HK\$15,000 (2003: HK\$3,000).

## 25 Retirement benefit costs *(continued)*

Movement in the liability recognised in the consolidated balance sheet:

	2004 HK\$'000	2003 HK\$'000
At beginning of the year	6,747	1,251
Exchange difference	689	18
Total expense – as shown above	8,759	6,275
Contributions paid	(2,260)	(797)
At end of the year	13,935	6,747

The principal actuarial assumptions used were as follows:

	2004 %	2003 %
Discount rate	3.50	3.50
Expected rate of return on plan assets	3.50	2.75
Expected rate of future salary increases	3.00	3.00

## 26 Deferred taxation

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

## Notes to the Accounts

## 26 Deferred taxation (continued)

The movement on the deferred tax liabilities/(assets) account is as follows:

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of the year, as previously reported	80,905	58,846	503	304
Effect of change in accounting policy (Note 2(n))	303,397	293,065	–	–
At beginning of the year, as restated	384,302	351,911	503	304
Exchange differences	11	–	–	–
Deferred taxation relating to the origination and reversal of temporary differences				
– as previously reported	(31,247)	15,123	–	–
– effect of change in accounting policy (Note 2(n))	–	(15,674)	–	–
Deferred taxation resulting from an increase in tax rate				
– as previously reported	–	6,936	1,629	199
– effect of change in accounting policy (Note 2(n))	–	26,006	–	–
At end of the year	353,066	384,302	2,132	503

As at 31 March 2004, the Group has unrecognised tax losses of HK\$1,152,356,000 (2003: HK\$780,216,000) to carry forward against future taxable income; the expiry dates of these tax losses are as follows:

	2004 HK\$'000	2003 HK\$'000
With no expiry date	430,201	582,391
With expiry in:		
2006	–	7,395
2007	96,809	95,391
2008	100,041	95,039
2009	525,305	–
	1,152,356	780,216

## 26 Deferred taxation *(continued)*

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

### Group

Deferred tax liabilities	Accelerated tax depreciation		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of the year, as previously reported	89,972	86,507	–	–	89,972	86,507
Effect of change in accounting policy <i>(Note 2(n))</i>	–	–	303,397	293,065	303,397	293,065
At beginning of the year, as restated	89,972	86,507	303,397	293,065	393,369	379,572
Exchange differences	11	–	–	–	11	–
Charged/(credited) to profit and loss account	6,301	3,465	(17,144)	10,332	(10,843)	13,797
At end of the year	96,284	89,972	286,253	303,397	382,537	393,369

  

Deferred tax assets	Tax losses		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of the year	(8,593)	(26,552)	(474)	(1,109)	(9,067)	(27,661)
(Credited)/charged to profit and loss account	(16,869)	17,959	(3,535)	635	(20,404)	18,594
At end of the year	(25,462)	(8,593)	(4,009)	(474)	(29,471)	(9,067)



## Notes to the Accounts

## 26 Deferred taxation (continued)

## Company

Deferred tax liabilities	Accelerated tax depreciation	
	2004 HK\$'000	2003 HK\$'000
At beginning of the year	8,287	6,999
Charged to profit and loss account	2,248	1,288
At end of the year	10,535	8,287

  

Deferred tax assets	Tax losses		Others		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At beginning of the year	(7,750)	(6,665)	(34)	(30)	(7,784)	(6,695)
Credited to profit and loss account	(619)	(1,085)	–	(4)	(619)	(1,089)
At end of the year	(8,369)	(7,750)	(34)	(34)	(8,403)	(7,784)

## 27 Notes to the consolidated cash flow statement

### (a) Reconciliation of operating (loss)/profit to net cash inflow generated from operations

	2004 HK\$'000	2003 HK\$'000
Operating (loss)/profit	(8,432)	441,217
Interest income	(2,343)	(8,904)
Depreciation of fixed assets	137,856	102,848
Amortisation of intangible assets	91,539	91,538
Loss on disposal of fixed assets	237	988
Revaluation deficit of fixed assets	3,839	–
Operating profit before working capital changes	222,696	627,687
Increase in inventories	(37,236)	(27,844)
Increase in accounts receivable, deposits and prepayments	(133,099)	(31,647)
Increase in accounts payable and accrued charges	3,429	106,707
Increase in pensions obligations	6,499	5,496
Effect on foreign exchange rate changes	33,835	(5,685)
Net cash inflow generated from operations	96,124	674,714

## Notes to the Accounts

27 Notes to the consolidated cash flow statement *(continued)*

## (b) Analysis of changes in financing

	Share capital HK\$'000	Share premium HK\$'000	Minority interests HK\$'000	Bank loans HK\$'000
At 1 April 2002	3,263,661	865,083	2,348	249,780
Capital reduction #	–	(828,937)	–	–
New bank loans	–	–	–	86,885
Repayment of bank loans	–	–	–	(60,736)
Minority share of loss for the year #	–	–	(23)	–
At 31 March 2003	3,263,661	36,146	2,325	275,929
<b>At 1 April 2003</b>	<b>3,263,661</b>	<b>36,146</b>	<b>2,325</b>	<b>275,929</b>
<b>Exercise of share options</b>	<b>4,974</b>	<b>3,332</b>	–	–
<b>Conversion of preference shares #</b>	<b>(180,000)</b>	<b>180,000</b>	–	–
<b>New bank loans</b>	–	–	–	<b>231,250</b>
<b>Repayment of bank loans</b>	–	–	–	<b>(215,258)</b>
<b>Repayment to minority shareholders</b>	–	–	<b>(289)</b>	–
<b>Minority share of loss for the year #</b>	–	–	<b>(36)</b>	–
<b>Exchange realignment #</b>	–	–	–	<b>4,473</b>
<b>At 31 March 2004</b>	<b>3,088,635</b>	<b>219,478</b>	<b>2,000</b>	<b>296,394</b>

# representing non-cash transactions

## 28 Contingent liabilities

### (a) Pending litigations

As at 31 March 2004, the Group had contingent liabilities in respect of a number of legal 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 Database Gateway Limited ("DGL") and its subsidiaries on 26 October 2001, Mr. Lai Chee Ying, Jimmy ("Mr. 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 arising, made or incurred 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. Lai also procured a bank guarantee of HK\$60,000,000 for a term of three years from 26 October 2001 in favour of the Company and the Acquired Group in respect of his obligations under the Indemnity.

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

### (b) Guarantees

	Company	
	2004 HK\$'000	2003 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	224,918	184,700

## Notes to the Accounts

## 29 Commitments

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

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Authorised but not contracted for	6,367	–	–	–
Contracted but not provided for	7,990	21,986	6	–
	<b>14,357</b>	21,986	<b>6</b>	–

## (b) Commitments under operating leases

At 31 March 2004, 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
<b>At 31 March 2004</b>			
Not later than one year	5,029	8,498	13,527
Later than one year but not later than five years	1,433	5,615	7,048
	<b>6,462</b>	<b>14,113</b>	<b>20,575</b>
<b>At 31 March 2003</b>			
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

### 30 Particulars of principal subsidiaries

Particulars of principal subsidiaries of the Group at 31 March 2004 are as follows:

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up share capital	Interest held (%)	Note
Apple Daily I. P. Limited	British Virgin Islands/ Hong Kong	Holding of masthead and publishing rights of newspaper	1 ordinary share of US\$1	100	
Apple Daily Limited	Hong Kong	Publication and selling of newspaper and selling of newspaper advertising space	200,000,000 ordinary shares of HK\$0.01 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	
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	

## Notes to the Accounts

## 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 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 magazines 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	
Next Media Publishing Limited	Hong Kong/Taiwan	Publication and selling of magazines and selling of magazines 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)

**30 Particulars of principal subsidiaries** *(continued)*

Name	Place of incorporation/ operation	Principal activities	Particulars of issued and paid up share capital	Interest held (%)	Note
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 magazines advertising space	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.

Notes:

(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\$13,274,000 (2003: HK\$14,025,000) and HK\$716,000 (2003: HK\$3,446,000) respectively.*

**31 Approval of accounts**

The accounts were approved by the board of directors on 11 June 2004.