

# Notes to the Accounts

31st March 2004

## 1 PRINCIPAL ACCOUNTING POLICIES

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

### (a) 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, certain properties and trading securities are stated at fair value.

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" and SSAP 34 (revised) "Employee Benefits" issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2003.

The changes to the Group's accounting policies and the effect of adopting these new and revised policies are set out in the accounting policies below.

### (b) Group Accounting

#### (i) Consolidation

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

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power, or has the power to govern the financial and operating policies, or to appoint or remove the majority of the members of the board of directors, or to cast majority of votes at the meetings of the board of directors.

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 disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill (net of accumulated amortisation) or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (b) Group Accounting (cont'd)

#### (i) Consolidation (cont'd)

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.

#### (ii) 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 results of the associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and goodwill (net of accumulated amortisation) /negative goodwill on acquisition.

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

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

#### (iii) Translation of foreign currencies

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

The balance sheets of subsidiaries 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 are dealt with as movements in reserves.

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (c) Intangibles

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

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

Goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life, not exceeding 15 years.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

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

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

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

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

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

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (d) Fixed assets

#### (i) Other properties

Other properties are interests in land and buildings and are stated at cost or fair value which is determined by the directors based on independent valuations.

Effective from 30th September 1995, no further revaluations of the Group's freehold and leasehold land and buildings have been carried out. The Group places reliance on paragraph 80 of SSAP 17 which provides exemption from the need to make regular revaluations for such assets.

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

Leasehold land and buildings, which are stated at cost or valuation, are depreciated on a straight-line basis over the unexpired periods of the leases or their expected useful lives to the Group, whichever is shorter. The principal annual rate ranges from 2% to 2.6%.

#### (ii) Other fixed assets

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

Leasehold improvements	15%– 33.33% or over lease periods
Furniture, fixtures and office equipment	10%– 33.33%
Machinery and printing equipment	6.67%– 33.33%
Motor vehicles	25%

#### (iii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained profits/accumulated losses and is shown as a movement in reserves.

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (e) Assets under leases

#### (i) *Finance leases*

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

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

#### (ii) *Operating leases*

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

### (f) Trading securities

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

### (g) Inventories

Inventories comprise raw materials and finished goods and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### (h) 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 leave are not recognised until the time of leave.

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (h) Employee benefits (cont'd)

#### (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 a hybrid retirement benefit scheme ("the Scheme") and a Mandatory Provident Fund Scheme ("MPF") for its employees in Hong Kong. Overseas employees are under separate pension schemes which are defined contribution plans set up in the countries that the Group operates. The assets of all retirement plans are held separately from those of the Group in independently administered funds. The defined benefit plans and defined contribution plans are generally funded by payments from the relevant Group companies and/or employees.

The Group's contributions to the Scheme are made based on the periodic recommendations of independent qualified actuaries.

The Group's contributions to the Scheme and the MPF scheme are expensed as incurred. The Group's contributions to the defined contribution schemes of the Scheme are reduced by the Group's contributions forfeited by those employees who leave the schemes prior to vesting fully in the Group's contributions.

For the defined benefit plans, the pension cost of the Scheme are assessed using the projected unit credit method. Under this method, the cost of providing retirement benefit is charged to the profit and loss account so as to spread the regular pension cost over the service lives of employees in accordance with the advice of the actuaries who carry out a full valuation of the Scheme. The pension obligation is measured as the present value of the estimated future cash outflows of the Scheme by reference to market yields of Government securities which have similar terms as the terms of the related liabilities. 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.

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (h) Employee benefits (cont'd)

#### (iv) Long service payments

The Group's net obligations in respect of long service payments on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the project unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributed to contributions made by the Group. The discount rate is the yield at balance sheet date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

The adoption of SSAP 34 (revised) represents a change in accounting policy, which has retrospective effect. The comparative figures presented in the accounts have been restated to conform to the changed policy.

As detailed in note 21 to the accounts, accumulated losses at 1st April 2002 and 1st April 2003 have been increased by HK\$6,990,000 and HK\$6,826,000 respectively. The change has resulted in an increase in the provision for long service payment as at 31st March 2003 by HK\$6,826,000. The profit attributable to shareholders for the year ended 31st March 2003 was increased by HK\$164,000.

#### (i) Accounts receivable

Provision is made against accounts receivable to the extent 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 dates of investments and bank overdrafts.

#### (k) 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, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (l) Deferred taxation

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 by 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 associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the SSAP 12 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 detailed in note 21 to the accounts, accumulated losses at 1st April 2002 and 1st April 2003 have been increased by HK\$4,070,000 and HK\$2,285,000 respectively, and property revaluation reserve at 1st April 2002 and 1st April 2003 has been reduced by HK\$23,699,000 and HK\$25,799,000 respectively, which represent the unprovided net deferred tax liabilities. The change has resulted in an increase in deferred tax assets and deferred tax liabilities at 31st March 2003 by HK\$1,164,000 and HK\$29,248,000 respectively. The profit attributable to shareholders for the year ended 31st March 2003 has been increased by HK\$1,785,000.

### (m) Revenue recognition

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

Advertising income, net of trade discounts, is recognised when the newspapers and periodicals are published.

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



## 1 PRINCIPAL ACCOUNTING POLICIES (cont'd)

### (m) Revenue recognition (cont'd)

Agency commission income earned from provision of travel agency services is recognised in accordance with the respective agency agreements, which generally coincides with the time when the services are rendered.

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

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

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

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

### (n) Segment reporting

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

Unallocated expenses represent corporate expenses. Segment assets consist primarily of fixed assets, defined benefit plan's assets, inventories, receivables and operating cash, and exclude trading securities, tax recoverable and corporate assets. Segment liabilities comprise operating liabilities and exclude items such as taxation payable and certain corporate borrowings. Capital expenditure comprises additions of fixed assets.

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

### (o) Comparative figures

Due to the adoption of SSAP 12 "Income Taxes" and SSAP 34 (revised) "Employee Benefits" issued by HKSA during the year, certain comparative figures have been restated to conform with the current year's presentation.

## 2 TURNOVER, REVENUES AND SEGMENT INFORMATION

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

	<b>2004</b>	As restated
	<b>HK\$'000</b>	2003
		HK\$'000
Turnover		
Sales of newspapers, periodicals and books, net of trade discounts and returns	<b>203,326</b>	201,590
Advertising income, net of trade discounts	<b>504,414</b>	496,859
Travel and travel related services income ( <i>note (a)</i> )	<b>290,979</b>	311,149
Agency commission income ( <i>note (a)</i> )	<b>3,069</b>	3,725
	<b>1,001,788</b>	1,013,323
Other revenues		
Rental and management fee income	<b>761</b>	1,109
Interest income	<b>2,483</b>	3,171
Dividend income	<b>25</b>	25
Commission income	<b>–</b>	534
	<b>3,269</b>	4,839
Total revenues	<b>1,005,057</b>	1,018,162

## Notes to the Accounts (cont'd)

31st March 2004

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

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

Business segments:

	Publishing	Travel and travel related services	Internet businesses <i>(note (b))</i>	Elimination	Group
	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	695,705	293,259	12,824	–	1,001,788
Inter segment sales	–	–	519	(519)	–
	<u>695,705</u>	<u>293,259</u>	<u>13,343</u>	<u>(519)</u>	<u>1,001,788</u>
Segment results	<u>66,373</u>	<u>(1,106)</u>	<u>2,128</u>		67,395
Interest income					2,483
Unallocated expenses					<u>(4,654)</u>
Operating profit					65,224
Finance costs					<u>(2,349)</u>
Share of losses of associated companies					<u>(5,380)</u>
Profit before taxation					57,495
Taxation					<u>(15,573)</u>
Profit after taxation					41,922
Minority interests					<u>(58)</u>
Profit attributable to shareholders					<u><u>41,864</u></u>

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

Business segments: (cont'd)

	Publishing	Travel and travel related services	Internet businesses (note (b))	Elimination	Group
	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	605,984	29,364	53,951	–	689,299
Interests in associated companies	21,669	–	–	–	21,669
Unallocated assets					111,949
Total assets					<u>822,917</u>
Segment liabilities	134,653	24,236	3,447	–	162,336
Unallocated liabilities					57,785
Total liabilities					<u>220,121</u>
Capital expenditure	46,029	1,221	187	–	47,437
Depreciation	28,488	621	2,318	–	31,427
Other non-cash expenses	2,670	–	79	–	2,749

## Notes to the Accounts (cont'd)

31st March 2004

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

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

	Publishing	Travel and travel related services <i>(note (a))</i>	Internet businesses <i>(note (b))</i>	Elimination	As restated Group
	2003	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External sales	685,962	306,003	21,358	–	1,013,323
Inter segment sales	–	6,250	–	(6,250)	–
	<u>685,962</u>	<u>312,253</u>	<u>21,358</u>	<u>(6,250)</u>	<u>1,013,323</u>
Segment results	<u>57,400</u>	<u>(1,816)</u>	<u>(858)</u>		54,726
Interest income					3,171
Unallocated expenses					<u>(3,947)</u>
Operating profit					53,950
Finance costs					(2,286)
Share of losses of associated companies					<u>(7,622)</u>
Profit before taxation					44,042
Taxation					<u>(11,062)</u>
Profit after taxation					32,980
Minority interests					<u>227</u>
Profit attributable to shareholders					<u><u>33,207</u></u>

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

## Business segments: (cont'd)

	Publishing	Travel and travel related services <i>(note (a))</i>	Internet businesses <i>(note (b))</i>	Elimination	As restated Group
	2003	2003	2003	2003	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	580,726	21,731	60,880	–	663,337
Interests in associated companies	18,022	–	–	–	18,022
Unallocated assets					<u>100,938</u>
Total assets					<u><u>782,297</u></u>
Segment liabilities	141,771	13,655	798	–	156,224
Unallocated liabilities					<u>53,545</u>
Total liabilities					<u><u>209,769</u></u>
Capital expenditure	12,647	903	386	–	13,936
Depreciation	29,238	469	4,473	–	34,180
Other non-cash expenses	3,001	166	305	–	3,472

## Notes to the Accounts (cont'd)

31st March 2004

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

Geographical segments:

	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Segment assets 2004 HK\$'000	Capital expenditure 2004 HK\$'000
Hong Kong	653,927	74,178	504,529	10,187
Canada	191,891	8,233	82,968	15,475
The United States of America	138,370	(12,558)	29,234	14,537
Mainland China	17,600	(2,458)	72,568	7,238
	<u>1,001,788</u>	<u>67,395</u>	<u>689,299</u>	<u>47,437</u>
Interest income		2,483		
Unallocated expenses		(4,654)		
Operating profit		<u>65,224</u>		
Interests in associated companies			21,669	
Unallocated assets			111,949	
Total assets			<u>822,917</u>	

	Turnover 2003 HK\$'000	As restated Segment results 2003 HK\$'000	As restated Segment assets 2003 HK\$'000	Capital expenditure 2003 HK\$'000
Hong Kong	697,442	61,396	504,442	3,097
Canada (note (a))	164,187	8,450	74,320	4,238
The United States of America	138,891	(10,530)	11,951	568
Mainland China	12,803	(4,590)	72,624	6,033
	<u>1,013,323</u>	<u>54,726</u>	<u>663,337</u>	<u>13,936</u>
Interest income		3,171		
Unallocated expenses		(3,947)		
Operating profit		<u>53,950</u>		
Interests in associated companies			18,022	
Unallocated assets			100,938	
Total assets			<u>782,297</u>	

Notes:

- Certain comparative figures have been restated to conform with the current year's presentation.
- Internet businesses comprise advertising, provision of contents and travel related services through the Group's various portals.

### 3 OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2004 HK\$'000	As restated 2003 HK\$'000
<b>Crediting</b>		
Net exchange gain	2,395	1,553
Unrealised gains on trading securities	272	–
Gain on disposals of fixed assets	75	–
	<u>2,742</u>	<u>1,553</u>
<b>Charging</b>		
Auditors' remuneration		
Current year	2,074	1,640
(Over)/under provision in prior years	(72)	253
Cost of inventories sold	142,363	140,394
Depreciation		
Owned fixed assets	30,497	33,274
Leased fixed assets	930	906
Staff costs (including directors' emoluments) (note 9)	290,218	296,518
Operating lease expenses		
Land and buildings	6,218	6,415
Machineries	71	77
Provision for inventory obsolescence	829	1,435
Provision for doubtful debts and bad debts written off	4,192	4,884
Loss on disposals of fixed assets	–	94
Unrealised losses on trading securities	–	1,333
Impairment loss on fixed assets	1,494	–
	<u>1,494</u>	<u>–</u>

### 4 FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest expenses on bank loans and overdrafts	1,874	1,978
Interest element of finance leases	475	308
	<u>2,349</u>	<u>2,286</u>



## Notes to the Accounts (cont'd)

31st March 2004

### 5 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 government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	<b>Group</b>	
	<b>2004</b>	As restated <b>2003</b>
	<b>HK\$'000</b>	HK\$'000
Hong Kong profits tax		
Current year	<b>13,304</b>	10,449
Under/(over) provision in prior years	<b>285</b>	(466)
Overseas taxation		
Current year	<b>3,112</b>	2,864
Over provision in prior years	<b>(364)</b>	–
Deferred taxation	<b>(764)</b>	(1,785)
Taxation charge	<b>15,573</b>	11,062

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rates of the countries in which the Group operates as follows:

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Profit before taxation	<b>57,495</b>	44,042
Notional tax calculated at the rates applicable in the countries concerned	<b>9,177</b>	4,920
Income not subject to taxation	<b>(829)</b>	(821)
Expenses not deductible for taxation purposes	<b>1,103</b>	1,725
Utilisation of previously unrecognised tax losses	<b>(700)</b>	(757)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	<b>50</b>	536
Temporary differences not recognised	<b>631</b>	491
Tax losses not recognised	<b>6,220</b>	5,434
Over provision in prior years	<b>(79)</b>	(466)
Taxation charge	<b>15,573</b>	11,062

## 6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$3,235,000 (2003: HK\$819,000).

## 7 DIVIDENDS

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Interim, paid, of HK2 cents (2003: HK2 cents) per ordinary share	<b>7,893</b>	7,847
Final, proposed, of HK3 cents (2003: HK3 cents) per ordinary share	<b>11,921</b>	11,770
Special, proposed, of HK1 cent (2003: Nil) per ordinary share	<b>3,973</b>	–
	<b><u>23,787</u></b>	<u>19,617</u>

The board of directors has resolved to recommend a final dividend of HK3 cents (2003: HK3 cents) per ordinary share and a special dividend of HK1 cent (2003: Nil) per ordinary share for the year ended 31st March 2004. Upon approval by the shareholders, the final dividend and special dividend will be paid on 15th September 2004 to shareholders whose names appear on the register of members of the Company on 8th September 2004.

## 8 EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the Group's profit attributable to shareholders for the year of HK\$41,864,000 (2003: HK\$33,207,000, as restated).

The basic earnings per share is based on the weighted average number of 393,616,421 (2003: 392,345,000) ordinary shares in issue during the year. The diluted earnings per share is based on 394,080,481 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 464,060 ordinary shares deemed to have been issued at no consideration after adjusting for the effects of all dilutive potential ordinary shares under the Company's share option scheme. No diluted earnings per share for the year ended 31st March 2003 is presented as the exercise of the outstanding share options of the Company would have an anti-dilutive effect.

## Notes to the Accounts (cont'd)

31st March 2004

### 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2004	As restated 2003
	HK\$'000	HK\$'000
Wages and salaries	263,020	267,643
Unutilised annual leave	1,000	4,380
Pension costs – defined contribution plans	6,632	6,594
Pension costs – defined benefit plans ( <i>note 14</i> )	929	299
Other staff costs	18,637	17,602
	<u>290,218</u>	<u>296,518</u>

### 10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

- (a) The aggregate amounts of the emoluments payable to directors of the Company during the year are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Directors' fees	240	240
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	1,808	1,769
Contributions to pension scheme	93	93
	<u>2,141</u>	<u>2,102</u>

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

- (b) During the year 1,200,000 options (2003: Nil) were granted to the directors under the Share Option Scheme approved by the shareholders at the Special General Meeting held on 21st August 2001. Details of the movements of the said share options during the year are disclosed under "Share Option Scheme" in the Report of the Directors.
- (c) The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2004	2003
From HK\$Nil to HK\$1,000,000	5	5
From HK\$1,000,001 to HK\$1,500,000	–	–
From HK\$1,500,001 to HK\$2,000,000	1	1
From HK\$2,000,001 to HK\$2,500,000	–	–
	<u>6</u>	<u>6</u>

No directors waived any emoluments in respect of the years ended 31st March 2004 and 31st March 2003.

## 10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (cont'd)

- (d) The five individuals whose emoluments were the highest in the Group for the year include an executive director whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining four (2003: four) individuals during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,922	5,703
Contributions to pension scheme	287	273
	<u>6,209</u>	<u>5,976</u>

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

Emolument bands	Number of individuals	
	2004	2003
From HK\$1,000,001 to HK\$1,500,000	2	3
From HK\$1,500,001 to HK\$2,000,000	2	1

## 11 FIXED ASSETS

	Group							Total HK\$'000
	Other properties		Land and buildings held on medium term leases in Hong Kong	Land and buildings held on medium term leases outside Hong Kong	Leasehold Improve- ments, furniture, fixtures and equipment	Machinery and printing equipment	Motor vehicles	
	Freehold land and buildings outside Hong Kong HK\$'000	Land and buildings held on long term leases outside Hong Kong HK\$'000	Land and buildings held on medium term leases in Hong Kong HK\$'000	Land and buildings held on medium term leases outside Hong Kong HK\$'000	Leasehold Improve- ments, furniture, fixtures and equipment HK\$'000	Machinery and printing equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation								
At 1st April 2003	19,658	7,067	282,638	35,346	114,718	197,156	4,840	661,423
Additions	310	-	-	-	11,991	33,968	1,168	47,437
Exchange adjustment	1,811	-	-	-	3,441	3,641	34	8,927
Disposals	-	-	-	-	(12,874)	(208)	(1,721)	(14,803)
At 31st March 2004	<u>21,779</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>117,276</u>	<u>234,557</u>	<u>4,321</u>	<u>702,984</u>
Accumulated depreciation and impairment								
At 1st April 2003	1,511	790	54,499	5,764	99,319	138,855	4,088	304,826
Charge for the year	232	105	7,797	768	10,324	11,867	334	31,427
Impairment loss (note 3)	-	-	-	-	-	1,494	-	1,494
Exchange adjustment	225	-	-	-	3,061	2,176	34	5,496
Disposals	-	-	-	-	(11,609)	(207)	(1,641)	(13,457)
At 31st March 2004	<u>1,968</u>	<u>895</u>	<u>62,296</u>	<u>6,532</u>	<u>101,095</u>	<u>154,185</u>	<u>2,815</u>	<u>329,786</u>
Net book value								
At 31st March 2004	<u>19,811</u>	<u>6,172</u>	<u>220,342</u>	<u>28,814</u>	<u>16,181</u>	<u>80,372</u>	<u>1,506</u>	<u>373,198</u>
At 31st March 2003	<u>18,147</u>	<u>6,277</u>	<u>228,139</u>	<u>29,582</u>	<u>15,399</u>	<u>58,301</u>	<u>752</u>	<u>356,597</u>

## Notes to the Accounts (cont'd)

31st March 2004

### 11 FIXED ASSETS (cont'd)

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

	Group							Total HK\$'000
	Other properties			Land and buildings held on medium term leases outside Hong Kong HK\$'000	Land and buildings held on medium term leases outside Hong Kong HK\$'000	Leasehold Improve- ments, furniture, fixtures and office equipment HK\$'000	Machinery and printing equipment HK\$'000	
	Freehold land and buildings outside Hong Kong HK\$'000	Land and buildings held on long term leases outside Hong Kong HK\$'000	Land and buildings held on medium term leases in Hong Kong HK\$'000					
At cost	3,771	-	7,014	-	117,276	234,557	4,321	366,939
At professional valuation in 1995	18,008	7,067	275,624	35,346	-	-	-	336,045
At 31st March 2004	<u>21,779</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>117,276</u>	<u>234,557</u>	<u>4,321</u>	<u>702,984</u>

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

At cost	1,650	-	7,014	-	114,718	197,156	4,840	325,378
At professional valuation in 1995	18,008	7,067	275,624	35,346	-	-	-	336,045
At 31st March 2003	<u>19,658</u>	<u>7,067</u>	<u>282,638</u>	<u>35,346</u>	<u>114,718</u>	<u>197,156</u>	<u>4,840</u>	<u>661,423</u>

- The freehold and leasehold land and buildings stated at professional valuation in 1995 were revalued by Vigers Hong Kong Limited and Royal LePage Appraisal & Consulting Services, independent international property consultants, on an open market value basis at 30th September 1995.
- The carrying values of machines purchased under finance leases are HK\$18,351,000 (2003: HK\$12,061,000).
- The carrying amounts of other properties would have been HK\$149,277,000 (2003: HK\$171,241,000) had they been stated at cost less accumulated depreciation.
- Certain fixed assets were pledged as securities for the Group's banking facilities. The details are set out in note 24 to the accounts.

## 12 INTERESTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	745,171	745,171
Less: Provision for impairment	(280,700)	(280,700)
	<b>464,471</b>	464,471
Amounts due from subsidiaries ( <i>note</i> )		
Interest-free	457,962	453,895
Interest-bearing	126,858	153,152
	<b>1,049,291</b>	<b>1,071,518</b>

*Note:* The amounts due from subsidiaries are unsecured and not payable within the next twelve months.

Details of the Company's principal subsidiaries are set out in note 31 to the accounts.

## 13 INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities other than goodwill ( <i>note(a)</i> )	(18,842)	(13,462)
Amounts due from associated companies ( <i>note(b)</i> )	40,511	31,484
	<b>21,669</b>	<b>18,022</b>

(a) The following is a list of the Group's associated companies at 31st March 2004:

Name	Place of incorporation and operation	Effective equity interest %	Particulars of issued share capital/ registered capital	Principal activities
Yazhou Zhoukan Holdings Limited	British Virgin Islands	49.72	10,000 ordinary shares of HK\$1 each	Investment holding
Yazhou Zhoukan Limited	Hong Kong	49.72	9,500 ordinary shares of HK\$1 each	Magazine publishing
亞週股份有限公司	Taiwan	49.72	500,000 ordinary shares of NT\$10 each	Magazine distributing

*Note:* These associated companies have 31st December as their financial accounting year end date, which is not coterminous with that of the Group. The results of these associated companies have been equity accounted for based on their audited accounts for the year ended 31st December 2003.

## Notes to the Accounts (cont'd)

31st March 2004

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

- (b) The amounts due from associated companies are unsecured, not repayable within the next twelve months and interest-bearing, except for an amount of HK\$4,500,000 which is interest-free.

### 14 PENSIONS AND OTHER POST RETIREMENT ASSETS

The Group operates a number of staff retirement schemes which include a hybrid retirement benefit scheme ("the Scheme") for its employees in Hong Kong.

- (a) The Scheme has three categories of members: Regular Member, Special Member and Defined Benefit ("DB") Member.

Regular Member – defined contribution type of benefits based on accumulated contributions and investment gains and losses thereon.

Special Member – benefits based on final salary and service period or accumulated employer's contributions with credited investment gains and losses, whichever is higher.

DB Member – benefits based on final salary and service period only.

Members are also required to contribute monthly at 5% of their basic monthly salaries to the Scheme. The accumulated members' contributions with investment gains and losses will be paid to the members upon their leaving the employment in addition to the benefits described above.

- (b) Defined benefit schemes for Special Member and DB Member

Pension costs are assessed using the projected unit credit method. The pension costs are charged to the profit and loss account so as to spread the regular costs over the service lives of employees. A full valuation of the defined benefit scheme based on the projected unit credit method has been carried out by Watson Wyatt Hong Kong Limited, an independent qualified actuary, and the pension costs are charged to the profit and loss account in accordance with its advice.

	<b>Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Defined benefit plan's assets	<b>14,377</b>	14,286

## 14 PENSIONS AND OTHER POST RETIREMENT ASSETS (cont'd)

## (b) Defined benefit schemes for Special Member and DB Member (cont'd)

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Fair value of plan assets	33,088	24,070
Present value of funded obligations	(25,082)	(15,998)
	<u>8,006</u>	<u>8,072</u>
Unrecognised actuarial losses	6,371	6,214
Assets in the balance sheet	<u><u>14,377</u></u>	<u><u>14,286</u></u>

The limit of asset to be recognised is disclosed as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Cumulative unrecognised net actuarial loss and past service cost	6,371	6,214
Present value of available future refunds or reductions in future contributions	8,006	8,072
	<u><u>14,377</u></u>	<u><u>14,286</u></u>

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Current service cost	(1,469)	(1,283)
Interest cost	(867)	(1,018)
Expected return on plan assets	1,705	2,002
Net actuarial losses recognised in the year	(298)	–
Total pension costs, included in staff costs (note 9)	<u><u>(929)</u></u>	<u><u>(299)</u></u>

The actual return on plan assets recognised as an asset was HK\$7,992,000 (2003: HK\$3,483,000).



## Notes to the Accounts (cont'd)

31st March 2004

### 14 PENSIONS AND OTHER POST RETIREMENT ASSETS (cont'd)

(b) Defined benefit schemes for Special Member and DB Member (cont'd)

Movements in the assets recognised in the balance sheet:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1st April	14,286	13,498
Total pension costs – as shown above	(929)	(299)
Contributions paid	1,020	1,087
At 31st March	<u>14,377</u>	<u>14,286</u>

The principal actuarial assumptions used were as follows:

	Group	
	2004	2003
	%	%
Discount rate	4.0	5.5
Expected rate of return on plan assets	7.0	7.0
Expected rate of future salary increases	<u>4.0</u>	<u>4.0</u>

### 15 INVENTORIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	49,921	50,678
Finished goods	3,046	3,138
	<u>52,967</u>	<u>53,816</u>

At 31st March 2004, the carrying amounts of inventories that are carried at net realisable value amounted to HK\$1,154,000 (2003: HK\$1,372,000).

### 16 TRADING SECURITIES

	Group and Company	
	2004	2003
	HK\$'000	HK\$'000
Listed investments in Hong Kong, at market value	<u>1,799</u>	<u>1,527</u>

## 17 ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Accounts receivable ( <i>note</i> )	146,609	132,892	–	–
Deposits and prepayments	21,485	23,946	192	207
	<u>168,094</u>	<u>156,838</u>	<u>192</u>	<u>207</u>

Note: The Group allows in general a credit period of up to 90 days to its trade customers. At 31st March 2004, the ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 to 60 days	91,910	80,994
61 to 120 days	36,006	38,869
121 to 180 days	12,876	10,811
Over 180 days	5,817	2,218
	<u>146,609</u>	<u>132,892</u>

## 18 BANK BALANCES AND CASH

- (a) Included in the bank balances and cash of the Group are cash and bank deposits denominated in Renminbi placed with banks in Mainland China amounting to HK\$9,287,000 (2003: HK\$13,487,000).
- (b) Included in the bank balances were bank deposits of HK\$Nil (2003: HK\$2,213,000) which were pledged to certain banks at 31st March 2004.

## 19 ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Accounts payable ( <i>note</i> )	57,114	44,873	–	–
Accrued charges	57,862	56,005	3,537	3,549
Subscriptions received in advance	11,022	11,450	–	–
	<u>125,998</u>	<u>112,328</u>	<u>3,537</u>	<u>3,549</u>

## Notes to the Accounts (cont'd)

31st March 2004

### 19 ACCOUNTS PAYABLE AND ACCRUED CHARGES (cont'd)

Note: At 31st March 2004 the ageing analysis of the Group's accounts payable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0 to 60 days	50,658	42,736
61 to 120 days	2,614	1,416
121 to 180 days	268	568
Over 180 days	3,574	153
	<u>57,114</u>	<u>44,873</u>

### 20 SHARE CAPITAL

#### Authorised ordinary shares of HK\$0.10 each

	No. of shares	HK\$'000
At 31st March 2003 and 2004	<u>500,000,000</u>	<u>50,000</u>

#### Issued and fully paid ordinary shares of HK\$0.10 each

	2004		2003	
	No. of shares	HK\$'000	No. of shares	HK\$'000
At 1st April	392,345,000	39,234	392,345,000	39,234
Shares issued upon exercise of share options (note (b))	5,010,000	501	–	–
At 31st March	<u>397,355,000</u>	<u>39,735</u>	<u>392,345,000</u>	<u>39,234</u>

At the Special General Meeting of the Company held on 21st August 2001, a Share Option Scheme ("the Scheme") was approved and adopted. Share options are granted to the directors and employees.

Movements in the number of share options under the Scheme during the year are as follows:

	Number of share options	
	2004	2003
At 1st April	5,475,000	5,475,000
Granted during the year (note (a))	5,351,000	–
Exercised during the year (note (b))	(5,010,000)	–
Lapsed during the year (note (c))	(529,000)	–
At 31st March (note (d))	<u>5,287,000</u>	<u>5,475,000</u>

## 20 SHARE CAPITAL (cont'd)

Notes:

- (a) 4,151,000 share options and 1,200,000 share options were granted on 29th August 2003 and 15th September 2003 respectively. The exercise prices of the shares were HK\$1.32 and \$1.80 respectively. The consideration paid by each grantee for the share options granted was HK\$1.00.
- (b) During the year, 1,959,000 shares and 3,051,000 shares of HK\$0.10 each were issued at HK\$1.592 per share and HK\$1.32 per share respectively as a result of the exercise of the Company's share options.

	2004 HK\$'000	2003 HK\$'000
Ordinary share capital – at par	501	–
Share premium	6,645	–
Proceeds	7,146	–

- (c) During the year, 529,000 share options (2003: Nil) have lapsed by reason of the grantees ceasing to be full time employees of the Company and its subsidiaries.
- (d) Share options outstanding at the end of the year have the following terms:

	End of exercisable period	Exercise price per share HK\$	Number of share options	
			2004	2003
Directors	20th August 2011	1.592	1,200,000	1,200,000
	20th August 2011	1.80	1,200,000	–
			<u>2,400,000</u>	<u>1,200,000</u>
Employees	20th August 2011	1.592	1,787,000	4,275,000
	20th August 2011	1.32	1,100,000	–
			<u>2,887,000</u>	<u>4,275,000</u>

# Notes to the Accounts (cont'd)

31st March 2004

## 21 RESERVES

	Group							Total HK\$'000
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Difference arising on consolidation HK\$'000	Reserve arising on consolidation HK\$'000	Accumulated losses HK\$'000	
At 1st April 2002, as previously reported	589,765	145,096	356	(238)	(22,400)	1,878	(165,669)	548,788
Effect of adopting SSAP 12	-	(23,699)	-	-	-	-	(4,070)	(27,769)
Effect of adopting SSAP 34 (revised)	-	-	-	-	-	-	(6,990)	(6,990)
At 1st April 2002, as restated	589,765	121,397	356	(238)	(22,400)	1,878	(176,729)	514,029
Profit attributable to shareholders as restated for the effect of adopting SSAP 12 and SSAP 34 (revised)	-	-	-	-	-	-	33,207	33,207
Adjustment on goodwill (note)	-	-	-	-	-	1,704	-	1,704
Deferred tax effect on property revaluation reserve	-	(2,100)	-	-	-	-	-	(2,100)
Exchange adjustment	-	-	-	543	-	-	-	543
2002 final dividend paid	-	-	-	-	-	-	(7,847)	(7,847)
2003 interim dividend paid (note 7)	-	-	-	-	-	-	(7,847)	(7,847)
At 31st March 2003	<u>589,765</u>	<u>119,297</u>	<u>356</u>	<u>305</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(159,216)</u>	<u>531,689</u>
Representing:								
2003 final dividend proposed (note 7)							11,770	
Others							(170,986)	
Accumulated losses at 31st March 2003							<u>(159,216)</u>	
Company and subsidiaries	589,765	119,297	356	305	(22,400)	3,582	(145,749)	545,156
Associated companies	-	-	-	-	-	-	(13,467)	(13,467)
At 31st March 2003	<u>589,765</u>	<u>119,297</u>	<u>356</u>	<u>305</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(159,216)</u>	<u>531,689</u>

Note: Adjustment on goodwill is arising from a price adjustment on the purchase consideration paid for the acquisition of a subsidiary in the previous year. The goodwill arising from the acquisition has been written off against reserves in prior year. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated.

## 21 RESERVES (cont'd)

	Group							Total HK\$'000
	Share premium HK\$'000	Property revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Difference arising on consolidation HK\$'000	Reserve arising on consolidation HK\$'000	Accumulated losses HK\$'000	
At 1st April 2003, as previously reported	589,765	145,096	356	305	(22,400)	3,582	(150,105)	566,599
Effect of adopting SSAP 12	-	(25,799)	-	-	-	-	(2,285)	(28,084)
Effect of adopting SSAP 34 (revised)	-	-	-	-	-	-	(6,826)	(6,826)
At 1st April 2003, as restated	589,765	119,297	356	305	(22,400)	3,582	(159,216)	531,689
Exercise of share options (note 20(b))	6,645	-	-	-	-	-	-	6,645
Profit attributable to shareholders	-	-	-	-	-	-	41,864	41,864
Exchange adjustment	-	-	-	862	-	-	-	862
2003 final dividend paid (note 7)	-	-	-	-	-	-	(11,770)	(11,770)
2004 interim dividend paid (note 7)	-	-	-	-	-	-	(7,893)	(7,893)
At 31st March 2004	<u>596,410</u>	<u>119,297</u>	<u>356</u>	<u>1,167</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(137,015)</u>	<u>561,397</u>
Representing:								
2004 final dividend proposed (note 7)							11,921	
2004 special dividend proposed (note 7)							3,973	
Others							(152,909)	
Accumulated losses at 31st March 2004							<u>(137,015)</u>	
Company and subsidiaries	596,410	119,297	356	1,167	(22,400)	3,582	(118,168)	580,244
Associated companies	-	-	-	-	-	-	(18,847)	(18,847)
At 31st March 2004	<u>596,410</u>	<u>119,297</u>	<u>356</u>	<u>1,167</u>	<u>(22,400)</u>	<u>3,582</u>	<u>(137,015)</u>	<u>561,397</u>

## Notes to the Accounts (cont'd)

31st March 2004

### 21 RESERVES (cont'd)

	Company				
	Share	Capital	Contributed	Retained	Total
	premium	redemption reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	589,765	356	200,379	344,758	1,135,258
Profit attributable to shareholders	–	–	–	819	819
2002 final dividend paid	–	–	–	(7,847)	(7,847)
2003 interim dividend paid ( <i>note 7</i> )	–	–	–	(7,847)	(7,847)
	<u>589,765</u>	<u>356</u>	<u>200,379</u>	<u>329,883</u>	<u>1,120,383</u>
Representing:					
2003 final dividend proposed ( <i>note 7</i> )				11,770	
Others				318,113	
Retained profits at 31st March 2003				<u>329,883</u>	
At 1st April 2003	589,765	356	200,379	329,883	1,120,383
Exercise of share options ( <i>note 20(b)</i> )	6,645	–	–	–	6,645
Profit attributable to shareholders	–	–	–	3,235	3,235
2003 final dividend paid ( <i>note 7</i> )	–	–	–	(11,770)	(11,770)
2004 interim dividend paid ( <i>note 7</i> )	–	–	–	(7,893)	(7,893)
	<u>596,410</u>	<u>356</u>	<u>200,379</u>	<u>313,455</u>	<u>1,110,600</u>
Representing:					
2004 final dividend proposed ( <i>note 7</i> )				11,921	
2004 special dividend proposed ( <i>note 7</i> )				3,973	
Others				297,561	
Retained profits at 31st March 2004				<u>313,455</u>	

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired, and represented the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group's level, the contributed surplus is reclassified into its components of reserves of the underlying subsidiaries.

## 22 LONG-TERM LIABILITIES

	Group	
	2004 HK\$'000	As restated 2003 HK\$'000
Bank loans, secured		
Not wholly repayable within five years ( <i>note (a)</i> )	12,027	4,685
Obligations under finance leases		
Wholly repayable within five years ( <i>note (b)</i> )	8,403	7,457
Provision for long service payments ( <i>note (c)</i> )	6,902	6,826
	<u>27,332</u>	<u>18,968</u>
Current portion of long-term liabilities	(4,206)	(3,807)
	<u><u>23,126</u></u>	<u><u>15,161</u></u>

## Notes:

- (a) At 31st March 2004, the Group's bank loans, secured and not wholly repayable within five years, were repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans, secured		
Within one year	1,725	448
In the second year	1,783	448
In the third to fifth year	6,257	1,344
After the fifth year	2,262	2,445
	<u>12,027</u>	<u>4,685</u>



## Notes to the Accounts (cont'd)

31st March 2004

### 22 LONG-TERM LIABILITIES (cont'd)

Notes: (cont'd)

(b) At 31st March 2004, the Group's finance lease liabilities were repayable as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Finance lease liabilities minimum lease payments		
Within one year	2,924	3,727
In the second year	3,014	1,866
In the third to fifth year	3,407	2,570
	<u>9,345</u>	<u>8,163</u>
Future finance charges on finance leases	(942)	(706)
	<u>8,403</u>	<u>7,457</u>
Present value of finance lease liabilities		
	<u>8,403</u>	<u>7,457</u>
The present value of finance lease liabilities was repayable as follows:		
Within one year	2,481	3,359
In the second year	2,726	1,647
In the third to fifth year	3,196	2,451
	<u>8,403</u>	<u>7,457</u>

(c) The provision for long service payments represents present value of the obligation under long service payments and respective actuarial gains. The movement during the year is the net-off of current service costs and interest on obligation against long service payments paid during the year. Current service costs and interest on obligation have been recognised during the year and included in other staff costs (*note 9*).

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

	Group	
	2004 HK\$'000	2003 HK\$'000
Present value of the obligation	4,924	6,826
Net unrecognised actuarial gains	1,978	–
	<u>6,902</u>	<u>6,826</u>
Net liabilities		
	<u>6,902</u>	<u>6,826</u>

**22 LONG-TERM LIABILITIES (cont'd)***Notes (c): (cont'd)*

Movements in the provision for long service payments are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
At 1st April	6,826	6,990
Net expenses recognised in the profit and loss account	466	474
Contributions paid	(390)	(638)
At 31st March	<u>6,902</u>	<u>6,826</u>

The principal actuarial assumption used was as follows:

	Group	
	2004	2003
Average future working lifetime (in years)	<u>13</u>	<u>14</u>

**23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**

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

	2004	As restated 2003
	HK\$'000	HK\$'000
Operating profit	65,224	53,950
Unrealised (gains)/losses on trading securities	(272)	1,333
Negative goodwill arising from the repurchase of shares in a subsidiary	–	(82)
Dividend income from trading securities	(25)	(25)
Interest income	(2,483)	(3,171)
Depreciation of fixed assets	31,427	34,180
(Gain)/loss on disposals of fixed assets	(75)	94
Impairment loss on fixed assets	1,494	–
Increase in defined benefit plan's assets	(91)	(788)
Operating profit before working capital changes	<u>95,199</u>	<u>85,491</u>
Decrease in inventories	849	2,344
(Increase)/decrease in accounts receivable, deposits and prepayments	(11,256)	8,281
Increase/(decrease) in provision for long service payments	76	(164)
Decrease/(increase) in pledged bank deposits	2,213	(836)
Increase in accounts payable and accrued charges	13,670	10,713
Net cash inflow generated from operations	<u>100,751</u>	<u>105,829</u>

## Notes to the Accounts (cont'd)

31st March 2004

### 23 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Dividend payable		Short-term and long-term bank loans		Obligations under finance leases		Share capital including share premium	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April	-	-	29,796	62,076	7,457	8,328	628,999	628,999
Exchange differences	-	-	524	350	632	345	-	-
Net cash (outflow)/inflow from financing	(19,663)	(15,694)	(2,198)	(32,630)	(5,610)	(2,955)	7,146	-
Inception of finance leases	-	-	-	-	5,924	1,739	-	-
Dividends	19,663	15,694	-	-	-	-	-	-
At 31st March	-	-	28,122	29,796	8,403	7,457	636,145	628,999

(c) Major non-cash transactions

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$5,924,000 (2003: HK\$1,739,000).

### 24 BANKING FACILITIES AND PLEDGE OF ASSETS

At 31st March 2004, the Group's banking facilities were secured by the following:

- certain machinery and printing equipment with net book value of HK\$21,697,000 at 31st March 2004 (2003: HK\$20,154,000);
- first legal charges on certain of the Group's freehold and leasehold land and buildings with an aggregate carrying value of HK\$268,726,000 at 31st March 2004 (2003: HK\$275,663,000) and assignment of rental income derived therefrom;
- first legal charges on the Group's publishing titles;
- general security agreements under which all the assets of certain subsidiaries with net book value of HK\$99,941,000 at 31st March 2004 (including HK\$18,613,000 attributable to freehold properties disclosed under note (b) above) (2003: HK\$77,052,000) were pledged to certain banks;
- corporate guarantees issued by the Company.

## 25 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 16%).

The movements in deferred tax liabilities/(assets) are as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1st April	28,084	27,769
Deferred taxation credited to profit and loss account ( <i>note 5</i> )	(764)	(1,785)
Deferred taxation charged to equity	–	2,100
At 31st March	<u>27,320</u>	<u>28,084</u>

The deferred taxation charged to equity during the year is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Property revaluation reserve in shareholders' equity ( <i>note 21</i> )	–	2,100

The components of deferred tax liabilities/(assets) recognised in the consolidated balance sheet and the movements (prior to offsetting of the balances within the same taxation jurisdiction) during the year are as follows:

	Accelerated tax depreciation	General provision on doubtful debts	Decelerated tax depreciation	Revaluation on Tax losses	Revaluation on other properties	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st April 2002	32,282	(271)	(385)	(157)	(3,700)	27,769
Charged/(credited) to profit and loss account	(197)	112	31	(708)	(1,023)	(1,785)
Charged to equity	2,100	–	–	–	–	2,100
At 31st March 2003	<u>34,185</u>	<u>(159)</u>	<u>(354)</u>	<u>(865)</u>	<u>(4,723)</u>	<u>28,084</u>
At 1st April 2003	34,185	(159)	(354)	(865)	(4,723)	28,084
Charged/(credited) to profit and loss account	420	16	162	(686)	(676)	(764)
At 31st March 2004	<u>34,605</u>	<u>(143)</u>	<u>(192)</u>	<u>(1,551)</u>	<u>(5,399)</u>	<u>27,320</u>

## Notes to the Accounts (cont'd)

31st March 2004

### 25 DEFERRED TAXATION (cont'd)

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. The Group has unrecognised tax losses of HK\$231,052,000 (2003: HK\$216,955,000) to carry forward against future taxable income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet.

	Group	
	2004	2003
	HK\$'000	HK\$'000
Deferred tax assets	(1,044)	(1,164)
Deferred tax liabilities	28,364	29,248
	<u>27,320</u>	<u>28,084</u>

### 26 COMMITMENT

At 31st March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	7,806	4,652
Later than one year and not later than five years	13,927	3,615
Later than five years	570	9
	<u>22,303</u>	<u>8,276</u>

At 31st March 2004, the Group has outstanding forward exchange contracts to buy EUR200,000 at various rates totalling approximately HK\$1,890,000 and to buy NZD150,000 at various rates totalling approximately HK\$763,000 (2003: Nil).

### 27 CONTINGENT LIABILITIES

At 31st March 2004, the Company had contingent liabilities in respect of guarantees issued in favour of certain of its subsidiaries totalling HK\$154,651,000 (2003: HK\$127,015,000) in connection with general banking facilities granted to those subsidiaries. At 31st March 2004, total facilities utilised amounted to HK\$35,994,000 (2003: HK\$37,253,000).

### 28 SUBSEQUENT EVENT

In April 2004, the Group announced the strategic alliance with Redgate Media Inc. resulting in the acquisition of 60% interest of its subsidiary, Media2U (BVI) Company Limited, which is a media group dedicated to the magazine advertisement business in Mainland China.

## 29 ULTIMATE HOLDING COMPANY

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

## 30 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 19th July 2004.

## 31 PARTICULARS OF PRINCIPAL SUBSIDIARIES

- (a) Particulars of principal subsidiaries at 31st March 2004 that are incorporated in Hong Kong are as follows:

Name of subsidiary	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Indirect subsidiaries:			
Centricon Enterprises Limited	2 ordinary shares of HK\$1 each	100	Property investment
Charming Holidays Limited	1,000,000 ordinary shares of HK\$1 each	100	Provision of travel and travel related services
Charming Holidays (North America) Limited	2 ordinary shares of HK\$1 each	100	Investment holding
Charming Online Travel Limited	800,000 ordinary shares of HK\$1 each	98.89	Provision of travel and travel related services
Cheerlane Development Limited	2 ordinary shares of HK\$1 each	100	Property investment
Holgain Limited	2 ordinary shares of HK\$10 each	100	Property investment
Intelligent Printing Limited	2 ordinary shares of HK\$1 each	100	Investment holding
Intelligent Publications (China) Limited	1,000,000 ordinary shares of HK\$1 each	100	Investment holding
Kin Ming Printing Company Limited	100 ordinary shares of HK\$100 each	100	Provision of printing services
Lisport Company Limited	165,000 ordinary shares of HK\$10 each	100	Magazine publishing
Maribo Brief Limited	2 ordinary shares of HK\$1 each	100	Property investment
Ming Pao Holdings Limited	900 ordinary shares of HK\$1,000 each and 100 non-voting deferred shares of HK\$1,000 each	100	Investment holding

## Notes to the Accounts (cont'd)

31st March 2004

### 31 PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

- (a) Particulars of principal subsidiaries at 31st March 2004 that are incorporated in Hong Kong are as follows: (cont'd)

Name of subsidiary	Particulars of issued and fully paid share capital/ registered capital	Effective equity interest %	Principal activities
Indirect subsidiaries:			
Ming Pao Magazines Limited	10 ordinary shares of HK\$1 each	100	Magazines publishing
Ming Pao Newspapers Limited	2 ordinary shares of HK\$1 each	100	Newspaper publishing
Ming Pao Publications Limited	10 ordinary shares of HK\$1 each	100	Books publishing
Mingpao.com Limited	2 ordinary shares of HK\$1 each	97.78	Internet related businesses
Perfect Gain Development Limited	2 ordinary shares of HK\$1 each	100	Property investment

- (b) Particulars of principal subsidiaries at 31st March 2004 that are incorporated outside Hong Kong are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/registered capital	Effective equity interest %	Principal activities
Direct subsidiary:				
Ming Pao International Investment Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Indirect subsidiaries:				
Delta Tour & Travel Services (Canada), Inc.	Canada	850,000 common shares at no par value for CAD\$530,000	100	Provision of travel and travel related services
Delta Tour & Travel Services, Inc.	The United States of America	461,500 common shares at no par value for US\$300,500	100	Provision of travel and travel related services
Delta Tour & Travel Services (New York), Inc.	The United States of America	20 common shares at no par value for US\$10,000	100	Provision of travel and travel related services
First Collection Limited	British Virgin Islands	1 ordinary share of US\$1 each	100	Investment holding
Guangzhou Kin Ming Printing Limited*	Mainland China	HK\$25,000,000	100	Provision of printing services

## 31 PARTICULARS OF PRINCIPAL SUBSIDIARIES (cont'd)

(b) Particulars of principal subsidiaries at 31st March 2004 that are incorporated outside Hong Kong are as follows: (cont'd)

Name of subsidiary	Place of incorporation and operation	Particulars of issued and fully paid share capital/registered capital	Effective equity interest %	Principal activities
Indirect subsidiaries:				
Ming Pao Finance Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Publishing titles holding
Ming Pao Holdings (Canada) Limited	Canada	1 common share at no par value for CAD\$1	100	Investment holding
Ming Pao Holdings (USA) Inc.	The United States of America	1 common share of US\$1 each	100	Investment holding
Ming Pao Newspapers (Canada) Limited	Canada	1,001 common shares at no par value for CAD\$11	100	Newspaper publishing
Ming Pao (New York) Inc.	The United States of America	1 common share of US\$1 each	100	Newspaper publishing
Ming Pao (San Francisco) Inc.	The United States of America	1 common share of US\$1 each	100	Newspaper publishing
Mingpao.com Holdings Limited	Cayman Islands	717,735 ordinary shares of HK\$0.1 each	97.78	Investment holding
MP Printing Inc.	The United States of America	1 common share of US\$1 each	100	Provision of printing services
One Media Group Limited	British Virgin Islands	10,000 ordinary shares of US\$0.01 each	100	Investment holding
Starsome Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Top Plus Limited	British Virgin Islands	10 ordinary shares of US\$1 each	100	Investment holding
Winmax Resources Limited	British Virgin Islands	60,000 ordinary shares of US\$0.01 each	100	Investment holding

*Note:*

All companies operate in their respective places of incorporation, except for Ming Pao International Investment Limited, Ming Pao Finance Limited, Mingpao.com Holdings Limited, First Collection Limited, Starsome Limited, Top Plus Limited, Winmax Resources Limited and One Media Group Limited, which operate principally in Hong Kong.

\* The subsidiary was established in Mainland China in the form of a wholly owned foreign enterprise. The subsidiary has 31st December as its financial accounting year end date, which is not coterminous with that of the Company for the reason of compliance with local regulations.

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