

Notes to the Accounts

31st March 2005

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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.

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (herein collectively referred to as the "new HKFRSs") which are generally effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the preparation of these accounts.

The Group is in the process of making an assessment of the impact of these new HKFRSs and has so far concluded that the more significant differences between new HKFRSs and current accounting policies that are expected to affect the Group are as follows:

Goodwill

Under HKFRS 3 "Business Combinations", goodwill will no longer be amortised but instead will be subject to rigorous annual impairment testing. This will result in a change to the Group's current accounting policy under which goodwill is amortised over its useful life of not exceeding 15 years and assessed for any indication of impairment at each balance sheet date. Under the new policy, amortisation will no longer be charged, but goodwill will be tested annually for impairment, as well as when there are indications of impairment. This new policy will be applied prospectively from 1st January 2005.

The Group will be continuing with the assessment of the impact of the other new HKFRSs and other significant changes may be identified as a result.

(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.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group Accounting (Cont'd)

(i) Consolidation (Cont'd)

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets 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.

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.

(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.

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1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) 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 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, which is not to exceed 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.

(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.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(d) Fixed assets (Cont'd)

(i) *Other properties (Cont'd)*

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 rates range 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 used 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 disposal*

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.

(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 balance 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.

Notes to the Accounts

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1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Assets under leases (Cont'd)

(i) *Finance leases (Cont'd)*

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. Gains or losses on disposals 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 the employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

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

(ii) *Profit sharing and bonus plans*

The expected cost of profit sharing and bonus plans are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by the 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.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Employee benefits (Cont'd)

(iii) Pension obligations

The Group operates a hybrid retirement benefit scheme (the "Scheme") and a Mandatory Provident Fund Scheme (the "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 defined benefit plans of the Scheme are made based on the periodic recommendations of independent qualified actuaries.

The Group's contributions to the defined contribution plans of the Scheme and the MPF scheme are expensed as incurred. The Group's contributions to the defined contribution plans 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 costs 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.

(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 benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected 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.

(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.

Notes to the Accounts

31st March 2005

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(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.

(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 associated companies, 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.

(m) Revenue recognition

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

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.

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.

Travel agency commission income earned from the 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 is recognised on an accrual basis.

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Revenue recognition (Cont'd)

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.

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:

	Group	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Advertising income, net of trade discounts	585,989	504,414
Sales of newspapers, periodicals and books, net of trade discounts and returns	192,597	203,326
Travel and travel related services income	387,100	290,979
Travel agency commission income	2,993	3,069
	1,168,679	1,001,788
Other revenues		
Interest income	2,949	2,483
Rental and management fee income	831	761
Dividend income from trading securities	42	25
	3,822	3,269
Total revenues	1,172,501	1,005,057

Notes to the Accounts

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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 (notes (a) & (b)) 2005 HK\$'000	Travel and travel related services (note (b)) 2005 HK\$'000	Elimination 2005 HK\$'000	Group 2005 HK\$'000
Turnover	778,586	390,093	—	1,168,679
Segment results	72,074	1,359	—	73,433
Interest income				2,949
Net unallocated expenses				(1,205)
Operating profit				75,177
Finance costs				(2,325)
Share of losses of associated companies				(3,677)
Profit before taxation				69,175
Taxation				(21,152)
Profit after taxation				48,023
Minority interests				(7,833)
Profit attributable to shareholders				40,190
Segment assets	717,863	42,168	(28,768)	731,263
Interests in associated companies	22,210	—	—	22,210
Unallocated assets				89,428
Total assets				842,901
Segment liabilities	(142,715)	(43,334)	28,768	(157,281)
Unallocated liabilities				(59,739)
Total liabilities				(217,020)
Capital expenditure	15,411	592	—	16,003
Depreciation	31,838	794	—	32,632
Amortisation of goodwill	137	—	—	137
Net other non-cash expenses	1,573	123	—	1,696

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

Business segments: (Cont'd)

	Publishing (notes (a) & (b)) 2004 HK\$'000	Travel and travel related services (note (b)) 2004 HK\$'000	Elimination 2004 HK\$'000	Group 2004 HK\$'000
Turnover	707,740	294,048	—	1,001,788
Segment results	68,466	(1,071)	—	67,395
Interest income				2,483
Unallocated expenses				(4,654)
Operating profit				65,224
Finance costs				(2,349)
Share of losses of associated companies				(5,380)
Profit before taxation				57,495
Taxation				(15,573)
Profit after taxation				41,922
Minority interests				(58)
Profit attributable to shareholders				41,864
Segment assets	673,241	35,112	(19,054)	689,299
Interests in associated companies	21,669	—	—	21,669
Unallocated assets				111,949
Total assets				822,917
Segment liabilities	(139,822)	(41,568)	19,054	(162,336)
Unallocated liabilities				(57,785)
Total liabilities				(220,121)
Capital expenditure	46,164	1,273	—	47,437
Depreciation	30,711	716	—	31,427
Amortisation of goodwill	—	—	—	—
Other non-cash expenses	2,749	—	—	2,749

Notes:

- (a) Publishing turnover comprises sales of newspapers, periodicals and books, advertising income and income derived from the Group's various Internet portals.
- (b) Following a change in the Group's business strategy, relevant turnover and results of the previously reported Internet business segment have been combined with the publishing business segment and the travel and travel related services business segment. The directors are of the opinion that this change in reportable segment information provides a more appropriate presentation of the Group's business operations. Certain comparative figures have been restated to conform with current year's presentation.

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

Geographical segments:

	Hong Kong	Canada	The United States of America	Mainland China	Elimination	Group
	2005	2005	2005	2005	2005	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	737,114	221,548	176,272	33,745	—	1,168,679
Segment results	100,850	12,330	(36,404)	(3,343)	—	73,433
Interest income						2,949
Net unallocated expenses						(1,205)
Operating profit						75,177
Segment assets	832,382	93,284	39,058	81,736	(315,197)	731,263
Interests in associated companies						22,210
Unallocated assets						89,428
Total assets						842,901
Segment liabilities	(96,110)	(50,915)	(220,540)	(104,913)	315,197	(157,281)
Unallocated liabilities						(59,739)
Total liabilities						(217,020)
Capital expenditure	6,086	5,751	3,306	860	—	16,003

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

Geographical segments: (Cont'd)

	Hong Kong	Canada	The United States of America	Mainland China	Elimination	Group
	2004	2004	2004	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	653,927	191,891	138,370	17,600	—	1,001,788
Segment results	74,178	8,233	(12,558)	(2,458)	—	67,395
Interest income						2,483
Unallocated expenses						(4,654)
Operating profit						65,224
Segment assets	766,638	83,825	31,844	72,568	(265,576)	689,299
Interests in associated companies						21,669
Unallocated assets						111,949
Total assets						822,917
Segment liabilities	(102,157)	(50,728)	(172,425)	(102,602)	265,576	(162,336)
Unallocated liabilities						(57,785)
Total liabilities						(220,121)
Capital expenditure	10,187	15,475	14,537	7,238	—	47,437

Notes to the Accounts

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3. OPERATING PROFIT

Operating profit is stated after crediting and charging the following:

	Group	
	2005 HK\$'000	2004 HK\$'000
Crediting		
Net exchange gain	953	2,395
Unrealised gain on trading securities	149	272
Gain on disposals of fixed assets	29	75
Gain on disposal of partial interests in subsidiaries	2,054	—
Write-back of over provision for inventory obsolescence	164	—
Charging		
Auditors' remuneration		
Current year	2,094	2,074
Under/(over) provision in prior years	228	(72)
Cost of inventories sold	180,552	142,363
Depreciation		
Owned fixed assets	31,067	30,497
Leased fixed assets	1,565	930
Amortisation of goodwill	137	—
Staff costs (including directors' emoluments) (note 9)	322,699	290,218
Operating lease expenses		
Land and buildings	8,569	6,218
Machineries	143	71
Provision for inventory obsolescence	—	829
Provision for doubtful debts and bad debts written off	1,860	4,192
Impairment loss on fixed assets	—	1,494

4. FINANCE COSTS

	Group	
	2005 HK\$'000	2004 HK\$'000
Interest on bank loans and overdrafts	1,695	1,874
Interest element of finance leases	630	475
	2,325	2,349

5. TAXATION

Hong Kong profits tax is provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profit is calculated on the estimated assessable profit 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:

	Group	
	2005 HK\$'000	2004 HK\$'000
Hong Kong profits tax		
Current year	16,879	13,304
Under provision in prior years	9	285
Overseas taxation		
Current year	4,527	3,112
Over provision in prior years	(445)	(364)
Deferred taxation (<i>note 26</i>)	182	(764)
	21,152	15,573

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:

	Group	
	2005 HK\$'000	2004 HK\$'000
Profit before taxation	69,175	57,495
Notional tax calculated at the taxation rates applicable in the countries concerned	6,703	9,177
Income not subject to taxation	(4,960)	(829)
Expenses not deductible for taxation purposes	3,875	1,103
Utilisation of previously unrecognised tax losses	(1,463)	(700)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	—	50
Temporary differences not recognised	1,542	631
Tax losses not recognised	15,891	6,220
Over provision in prior years	(436)	(79)
	21,152	15,573

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6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$6,358,000 (2004: HK\$3,235,000).

7. DIVIDENDS

	Group and Company	
	2005 HK\$'000	2004 HK\$'000
Interim, paid, of HK3 cents (2004: HK2 cents) per ordinary share	11,858	7,893
Final, proposed, of HK4 cents (2004: HK3 cents, paid) per ordinary share (notes (a) & (b))	15,777	11,868
Special, proposed, of Nil (2004: HK1 cent, paid) per ordinary share (note (b))	—	3,955
	27,635	23,716

Notes:

- (a) The board of directors has resolved to recommend a final dividend of HK4 cents (2004: HK3 cents) per ordinary share for the year ended 31st March 2005. Upon approval by the shareholders, the final dividend will be paid on 15th September 2005 to shareholders whose names appear on the register of members of the Company on 11th August 2005.
- (b) The actual 2004 final dividend and special dividend paid during the year ended 31st March 2005 were different from the proposed 2004 final dividend and special dividend as disclosed in the 2004 annual report as 1,770,000 ordinary shares were repurchased by the Company between the accounts approval date and the ex-dividend date.

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\$40,190,000 (2004: HK\$41,864,000).

The basic earnings per share is based on the weighted average number of 395,924,441 (2004: 393,616,421) ordinary shares in issue during the year. The diluted earnings per share is based on 396,065,963 (2004: 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 141,522 (2004: 464,060) ordinary shares deemed to be issued at no consideration if all outstanding options having dilutive effect had been exercised.

9. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Group	
	2005 HK\$'000	2004 HK\$'000
Wages and salaries	293,369	263,020
Unutilised annual leave	1,618	1,000
Pension costs — defined contribution plans	7,021	6,632
Pension costs — defined benefits plans (<i>note 15</i>)	685	929
Other staff costs	20,006	18,637
	322,699	290,218

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	
	2005 HK\$'000	2004 HK\$'000
Directors' fees	303	240
Other emoluments		
Basic salaries, housing allowances, other allowances and benefits in kind	1,823	1,808
Contributions to pension scheme	93	93
	2,219	2,141

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

- (b) During the year, no option (2004: 1,200,000 options) was granted to the directors under the Share Option Scheme approved by the shareholders at the Special General Meeting held on 21st August 2001.

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10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

- (c) The emoluments of the directors disclosed above fell within the following bands:

	Number of directors	
	2005	2004
From HK\$Nil to HK\$1,000,000	6	5
From HK\$1,000,001 to HK\$1,500,000	—	—
From HK\$1,500,001 to HK\$2,000,000	1	1

No directors waived any emoluments in respect of the years ended 31st March 2005 and 31st March 2004.

- (d) The five highest paid individuals during the year include one executive director whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining four (2004: four) individuals during the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	6,047	5,922
Contributions to pension scheme	287	287
	6,334	6,209

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

	Number of individuals	
	2005	2004
From HK\$1,000,001 to HK\$1,500,000	2	2
From HK\$1,500,001 to HK\$2,000,000	2	2

11. FIXED ASSETS

	Group							
	Other properties				Leasehold improve- ments, furniture, and office equipment	Machinery and printing equipment	Motor vehicles	Total
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	HK\$'000				
Cost or valuation								
At 1st April 2004	21,779	7,067	282,638	35,346	117,276	234,557	4,321	702,984
Additions	—	—	—	—	11,987	3,734	282	16,003
Acquisition of subsidiaries	—	—	—	—	242	—	—	242
Exchange adjustment	1,686	—	—	—	3,472	4,802	42	10,002
Disposals	—	—	—	—	(2,575)	(2,572)	(619)	(5,766)
At 31st March 2005	23,465	7,067	282,638	35,346	130,402	240,521	4,026	723,465
Accumulated depreciation								
At 1st April 2004	1,968	895	62,296	6,532	101,095	154,185	2,815	329,786
Charge for the year	247	105	7,797	768	9,481	13,717	517	32,632
Exchange adjustment	235	—	—	—	3,043	2,778	39	6,095
Disposals	—	—	—	—	(2,528)	(1,569)	(582)	(4,679)
At 31st March 2005	2,450	1,000	70,093	7,300	111,091	169,111	2,789	363,834
Net book value								
At 31st March 2005	21,015	6,067	212,545	28,046	19,311	71,410	1,237	359,631
At 31st March 2004	19,811	6,172	220,342	28,814	16,181	80,372	1,506	373,198

Notes to the Accounts

31st March 2005

11. FIXED ASSETS (Cont'd)

Group								
Other properties								
	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 office equipment HK\$'000	Machinery and printing equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	

The analysis of the cost or valuation at 31st March 2005 of the above assets is as follows:

At cost	5,457	—	7,014	—	130,402	240,521	4,026	387,420
At professional valuation in 1995	18,008	7,067	275,624	35,346	—	—	—	336,045
At 31st March 2005	23,465	7,067	282,638	35,346	130,402	240,521	4,026	723,465

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

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	21,779	7,067	282,638	35,346	117,276	234,557	4,321	702,984

- 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\$15,132,000 (2004: HK\$18,351,000).
- The carrying amounts of other properties would have been HK\$143,797,000 (2004: HK\$149,277,000) 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 25 to the accounts.

12. GOODWILL

	Group HK\$'000
Cost	
At 1st April 2004	—
Acquisition of subsidiaries	2,165
At 31st March 2005	2,165
Accumulated amortisation	
At 1st April 2004	—
Amortisation charge (<i>note 3</i>)	137
At 31st March 2005	137
Net book value	
At 31st March 2005	2,028
At 31st March 2004	—

13. INTERESTS IN SUBSIDIARIES

	Company	
	2005 HK\$'000	2004 HK\$'000
Unlisted shares, at cost	745,171	745,171
Less: provision for impairment	(280,700)	(280,700)
	464,471	464,471
Amounts due from subsidiaries (<i>note</i>)		
Interest-free	459,360	457,962
Interest-bearing	118,626	126,858
	1,042,457	1,049,291

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

Details of the Company's principal subsidiaries are set out in note 32 to the accounts.

Notes to the Accounts

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14. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Share of net liabilities other than goodwill (<i>note (a)</i>)	(22,519)	(18,842)
Amounts due from associated companies (<i>note (b)</i>)	44,729	40,511
	22,210	21,669

Notes:

- (a) The following is a list of the Group's associated companies at 31st March 2005:

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
亞通股份有限公司	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 2004.

All the above companies operate in their respective places of incorporation, except for Yazhou Zhoukan Holdings Limited which operates principally in Hong Kong.

- (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.

15. 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.

	Group	
	2005 HK\$'000	2004 HK\$'000
Defined benefit plan's assets	14,687	14,377

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Fair value of plan assets	36,345	33,088
Present value of funded obligations	(28,053)	(25,082)
Unrecognised actuarial losses	8,292	8,006
Assets in the balance sheet	6,395	6,371
	14,687	14,377

Notes to the Accounts

31st March 2005

15. PENSIONS AND OTHER POST RETIREMENT ASSETS (Cont'd)

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

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Cumulative unrecognised net actuarial losses and past service cost	6,395	6,371
Present value of available future refunds or reductions in future contributions	8,292	8,006
	14,687	14,377

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Current service cost	(1,776)	(1,469)
Interest cost	(997)	(867)
Expected return on plan assets	2,340	1,705
Net actuarial losses recognised in the year	(252)	(298)
Total pension costs, included in staff costs (<i>note 9</i>)	(685)	(929)

The actual return on plan assets recognised as an asset was HK\$3,094,000 (2004: HK\$7,992,000).

Movements in the assets recognised in the balance sheet:

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April	14,377	14,286
Total pension costs — as shown above	(685)	(929)
Contributions paid	995	1,020
At 31st March	14,687	14,377

15. PENSIONS AND OTHER POST RETIREMENT ASSETS (Cont'd)

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

The principal actuarial assumptions used were as follows:

	Group	
	2005 %	2004 %
Discount rate	4.0	4.0
Expected rate of return on plan assets	7.0	7.0
Expected rate of future salary increases 2005 to 2007	1.5	4.0
2008 and onwards	4.0	4.0

16. INVENTORIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Raw materials	46,917	49,921
Finished goods	4,126	3,046
	51,043	52,967

At 31st March 2005, the carrying amounts of inventories that are carried at net realisable value amounted to HK\$1,183,000 (2004: HK\$1,154,000).

17. TRADING SECURITIES

	Group and Company	
	2005 HK\$'000	2004 HK\$'000
Listed shares in Hong Kong, at market value	1,948	1,799

Notes to the Accounts

31st March 2005

18. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Accounts receivable (<i>note</i>)	161,342	146,609	—	—
Deposits and prepayments	38,211	21,485	215	192
	199,553	168,094	215	192

Note: The Group allows in general a credit period ranging from 7 days to 90 days and 30 days to 180 days to its trade customers in Hong Kong and Mainland China respectively. At 31st March 2005, the ageing analysis of the Group's accounts receivable is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 to 60 days	96,999	91,910
61 to 120 days	44,124	36,006
121 to 180 days	16,093	12,876
Over 180 days	4,126	5,817
	161,342	146,609

19. BANK BALANCES AND CASH

Included in the bank balances and cash of the Group are cash and bank deposits denominated in Renminbi placed with banks in Mainland China amounting to HK\$8,507,000 (2004: HK\$9,287,000).

20. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	Group		Company	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Accounts payable (<i>note</i>)	50,140	57,114	—	—
Accrued charges	49,219	50,284	695	3,537
Subscriptions received in advance	18,845	18,600	—	—
	118,204	125,998	695	3,537

20. ACCOUNTS PAYABLE AND ACCRUED CHARGES (Cont'd)

Note: At 31st March 2005 the ageing analysis of the Group's accounts payable is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
0 to 60 days	46,465	50,658
61 to 120 days	2,648	2,614
121 to 180 days	852	268
Over 180 days	175	3,574
	50,140	57,114

21. SHARE CAPITAL

	Group and Company	
	Authorised ordinary shares of HK\$0.10 each	
	Number of shares	HK\$'000
At 31st March 2004 and 2005	500,000,000	50,000

	Issued and fully paid ordinary shares of HK\$0.10 each			
	2005		2004	
	Number of shares	HK\$'000	Number of shares	HK\$'000
At 1st April	397,355,000	39,735	392,345,000	39,234
Exercise of share options	—	—	5,010,000	501
Repurchase of ordinary shares (note (a))	(2,924,000)	(293)	—	—
At 31st March	394,431,000	39,442	397,355,000	39,735

At the Special General Meeting of the Company held on 21st August 2001, a Share Option Scheme (the "Scheme") was approved and adopted. Pursuant to the Scheme, the directors of the Company may at their discretion invite full time employees including executive directors of the Company and its subsidiaries to take up options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

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

	Number of share options	
	2005	2004
At 1st April	5,287,000	5,475,000
Granted during the year	—	5,351,000
Exercised during the year	—	(5,010,000)
Lapsed during the year (note (b))	(90,000)	(529,000)
At 31st March (note (c))	5,197,000	5,287,000

Notes to the Accounts

31st March 2005

21. SHARE CAPITAL (Cont'd)

Notes:

- (a) During the year, the Company repurchased a total of 2,924,000 of its listed shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the purpose of enhancing the net asset value per share of the Company. Details of the repurchases are summarised as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration
		Highest HK\$	Lowest HK\$	HK\$
August 2004	1,770,000	1.45	1.40	2,541,400
September 2004	235,000	1.41	1.35	323,530
October 2004	87,000	1.57	1.43	129,030
December 2004	178,000	1.50	1.45	261,940
January 2005	224,000	1.47	1.44	325,750
February 2005	280,000	1.60	1.47	425,350
March 2005	150,000	1.55	1.50	228,550
	2,924,000			4,235,550

All the repurchased shares were cancelled during the year. Accordingly, the issued share capital of the Company was reduced by the par value of the repurchased shares and the premiums paid on these shares were charged against the share premium account. An amount equivalent to the par value of the shares cancelled was transferred from the Company's retained profits to the capital redemption reserve.

- (b) During the year, 90,000 share options (2004: 529,000 share options) have lapsed by reason of the grantees ceased to be full time employees of the Company or its subsidiaries.
- (c) 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	
		2005	2004
Directors			
20th August 2011	1.592	1,200,000	1,200,000
20th August 2011	1.800	1,200,000	1,200,000
		2,400,000	2,400,000
Employees			
20th August 2011	1.592	1,757,000	1,787,000
20th August 2011	1.320	1,040,000	1,100,000
		2,797,000	2,887,000

22. 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 2003	589,765	119,297	356	305	(22,400)	3,582	(159,216)	531,689
Exercise of share options	6,645	—	—	—	—	—	—	6,645
Profit attributable to shareholders	—	—	—	—	—	—	41,864	41,864
Exchange adjustment	—	—	—	862	—	—	—	862
2003 final dividend paid	—	—	—	—	—	—	(11,770)	(11,770)
2004 interim dividend paid (note 7)	—	—	—	—	—	—	(7,893)	(7,893)
At 31st March 2004	596,410	119,297	356	1,167	(22,400)	3,582	(137,015)	561,397
Representing:								
2004 final dividend paid (note 7)							11,868	
2004 special dividend paid (note 7)							3,955	
Others							(152,838)	
Accumulated losses at 31st March 2004							(137,015)	
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	596,410	119,297	356	1,167	(22,400)	3,582	(137,015)	561,397

Notes to the Accounts

31st March 2005

22. 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 2004	596,410	119,297	356	1,167	(22,400)	3,582		(137,015)	561,397
	Goodwill written off due to disposal of partial interests in subsidiaries	—	—	—	—	—	1,973		—	1,973
Repurchase of ordinary shares (note 21(a))	(3,943)	—	293	—	—	—	(293)	(3,943)		
Profit attributable to shareholders	—	—	—	—	—	—	40,190	40,190		
Exchange adjustment	—	—	—	2,185	—	—	—	2,185		
2004 final dividend paid (note 7)	—	—	—	—	—	—	(11,868)	(11,868)		
2004 special dividend paid (note 7)	—	—	—	—	—	—	(3,955)	(3,955)		
2005 interim dividend paid (note 7)	—	—	—	—	—	—	(11,858)	(11,858)		
At 31st March 2005	592,467	119,297	649	3,352	(22,400)	5,555	(124,799)	574,121		
Representing:										
2005 final dividend proposed (note 7)							15,777			
Others							(140,576)			
Accumulated losses at 31st March 2005							(124,799)			
Company and subsidiaries	592,467	119,297	649	3,352	(22,400)	5,555	(102,275)	596,645		
Associated companies	—	—	—	—	—	—	(22,524)	(22,524)		
At 31st March 2005	592,467	119,297	649	3,352	(22,400)	5,555	(124,799)	574,121		

22. RESERVES (Cont'd)

	Company				
	Capital				Total HK\$'000
	Share premium HK\$'000	redemption reserve HK\$'000	Contributed surplus HK\$'000	Retained profits HK\$'000	
At 1st April 2003	589,765	356	200,379	329,883	1,120,383
Exercise of share options	6,645	—	—	—	6,645
Profit attributable to shareholders	—	—	—	3,235	3,235
2003 final dividend paid	—	—	—	(11,770)	(11,770)
2004 interim dividend paid (<i>note 7</i>)	—	—	—	(7,893)	(7,893)
At 31st March 2004	596,410	356	200,379	313,455	1,110,600
Representing:					
2004 final dividend paid (<i>note 7</i>)				11,868	
2004 special dividend paid (<i>note 7</i>)				3,955	
Others				297,632	
Retained profits at 31st March 2004				313,455	
At 1st April 2004	596,410	356	200,379	313,455	1,110,600
Repurchase of ordinary shares (<i>note 21(a)</i>)	(3,943)	293	—	(293)	(3,943)
Profit attributable to shareholders	—	—	—	6,358	6,358
2004 final dividend paid (<i>note 7</i>)	—	—	—	(11,868)	(11,868)
2004 special dividend paid (<i>note 7</i>)	—	—	—	(3,955)	(3,955)
2005 interim dividend paid (<i>note 7</i>)	—	—	—	(11,858)	(11,858)
At 31st March 2005	592,467	649	200,379	291,839	1,085,334
Representing:					
2005 final dividend proposed (<i>note 7</i>)				15,777	
Others				276,062	
Retained profits at 31st March 2005				291,839	

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 1981 of Bermuda, 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.

Notes to the Accounts

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23. LONG-TERM LIABILITIES

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, secured (<i>note (a)</i>)		
Wholly repayable within five years	6,047	7,274
Not wholly repayable within five years	4,646	4,753
	10,693	12,027
Obligations under finance leases		
Wholly repayable within five years (<i>note (b)</i>)	12,510	8,403
Provision for long service payments (<i>note (c)</i>)	5,188	6,902
	28,391	27,332
Current portion of long-term liabilities	(5,943)	(4,206)
	22,448	23,126

Notes:

(a) At 31st March 2005, the Group's secured bank loans were repayable as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Bank loans, secured		
Within one year	1,829	1,725
In the second year	1,890	1,783
In the third to fifth year	5,048	6,257
After the fifth year	1,926	2,262
	10,693	12,027

(b) At 31st March 2005, the Group's finance lease liabilities were repayable as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Finance lease liabilities minimum lease payments		
Within one year	4,657	2,924
In the second year	3,541	3,014
In the third to fifth year	5,446	3,407
	13,644	9,345
Future finance charges on finance leases	(1,134)	(942)
Present value of finance lease liabilities	12,510	8,403

23. LONG-TERM LIABILITIES (Cont'd)

Notes: (Cont'd)

(b) At 31st March 2005, the Group's finance lease liabilities were repayable as follows: (Cont'd)

	Group	
	2005 HK\$'000	2004 HK\$'000
The present value of finance lease liabilities was repayable as follows:		
Within one year	4,114	2,481
In the second year	3,211	2,726
In the third to fifth year	5,185	3,196
	12,510	8,403

(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	
	2005 HK\$'000	2004 HK\$'000
Present value of the obligation	3,645	4,924
Net unrecognised actuarial gains	1,543	1,978
Net liabilities	5,188	6,902

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

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April	6,902	6,826
Net (income)/expenses recognised in the profit and loss account	(1,447)	466
Contributions paid	(267)	(390)
At 31st March	5,188	6,902

The principal actuarial assumption used was as follows:

	Group	
	2005	2004
Average future working lifetime (in years)	13	13

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24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Operating profit	75,177	65,224
Unrealised gain on trading securities	(149)	(272)
Amortisation of goodwill	137	—
Dividend income from trading securities	(42)	(25)
Interest income	(2,949)	(2,483)
Depreciation of fixed assets	32,632	31,427
Gain on disposal of partial interests in subsidiaries	(2,054)	—
Gain on disposals of fixed assets	(29)	(75)
Impairment loss on fixed assets	—	1,494
Increase in defined benefit plan's assets	(310)	(91)
Operating profit before working capital changes	102,413	95,199
Decrease in inventories	2,008	849
Increase in accounts receivable, deposits and prepayments	(28,565)	(11,256)
(Decrease)/increase in provision for long service payments	(1,714)	76
Decrease in pledged bank deposits	—	2,213
(Decrease)/increase in accounts payable and accrued charges	(10,823)	13,670
Net cash inflow generated from operations	63,319	100,751

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Acquisition of subsidiaries

	Group	
	2005 HK\$'000	2004 HK\$'000
Fixed assets	242	—
Goodwill	2,165	—
Inventories	84	—
Accounts receivable, deposits and prepayments	2,894	—
Bank balances and cash	216	—
Accounts payable and accrued charges	(3,029)	—
Taxation payable	(123)	—
Net cash consideration	4,399	—
Minority interests	(2,739)	—
Net assets acquired	4,109	—
Satisfied by partial interests in subsidiaries	4,109	—

The subsidiaries acquired during the year utilised HK\$5,881,000 and HK\$535,000 for operating activities and investing activities respectively, and paid HK\$7,000 in respect of taxation of the Group.

An analysis of the net cash inflow in respect of the acquisition of subsidiaries is as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Net cash consideration	4,399	—
Bank balances and cash acquired	216	—
	4,615	—

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31st March 2005

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Analysis of changes in financing during the year

	Dividend payable		Short-term and long-term bank loans		Obligations under finance leases		Share capital and share premium	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
At 1st April	—	—	28,122	29,796	8,403	7,457	636,145	628,999
Exchange differences	—	—	437	524	676	632	—	—
Net cash (outflow)/inflow from financing	(27,681)	(19,663)	4,215	(2,198)	(3,751)	(5,610)	(4,236)	7,146
Inception of finance leases	—	—	—	—	7,182	5,924	—	—
Dividends	27,681	19,663	—	—	—	—	—	—
At 31st March	—	—	32,774	28,122	12,510	8,403	631,909	636,145

(d) 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\$7,182,000 (2004: HK\$5,924,000).

25. BANKING FACILITIES AND PLEDGE OF ASSETS

At 31st March 2005, the Group's banking facilities were secured by the following:

- certain machinery and printing equipment with net book value of HK\$17,164,000 at 31st March 2005 (2004: HK\$21,697,000);
- first legal charges on certain of the Group's freehold and leasehold land and buildings with an aggregate carrying value of HK\$261,344,000 at 31st March 2005 (2004: HK\$268,726,000) 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\$111,706,000 at 31st March 2005 (2004: HK\$99,941,000) were pledged to certain banks, including HK\$19,716,000 (2004: HK\$18,613,000) attributable to freehold properties disclosed under note (b) above; and
- corporate guarantees issued by the Company.

26. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movements in net deferred tax liabilities/(assets) during the year are as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
At 1st April	27,320	28,084
Deferred taxation charged/(credited) to profit and loss account (<i>note 5</i>)	182	(764)
At 31st March	27,502	27,320

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 tax jurisdiction) during the year are as follows:

	Accelerated tax depreciation HK\$'000	General provision on doubtful debts HK\$'000	Decelerated tax depreciation HK\$'000	Tax losses HK\$'000	Revaluation on other properties HK\$'000	Total HK\$'000
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	34,605	(143)	(192)	(1,551)	(5,399)	27,320
At 1st April 2004	34,605	(143)	(192)	(1,551)	(5,399)	27,320
Charged/(credited) to profit and loss account	288	110	12	448	(676)	182
At 31st March 2005	34,893	(33)	(180)	(1,103)	(6,075)	27,502

Deferred 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\$270,692,000 (2004: HK\$231,052,000) to carry forward against future taxable income.

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31st March 2005

26. DEFERRED TAXATION (Cont'd)

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

	Group	
	2005 HK\$'000	2004 HK\$'000
Deferred tax assets	(749)	(1,044)
Deferred tax liabilities	28,251	28,364
	27,502	27,320

27. COMMITMENT

At 31st March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2005 HK\$'000	2004 HK\$'000
Within one year	9,225	7,806
Later than one year and not later than five years	17,580	13,927
Later than five years	—	570
	26,805	22,303

At 31st March 2005, the Group has no outstanding forward exchange contracts (2004: to buy EUR200,000 representing approximately HK\$1,890,000 and NZD150,000 representing approximately HK\$763,000).

28. CONTINGENT LIABILITIES

- (a) At 31st March 2005, the Company had contingent liabilities in respect of guarantees issued in favour of certain of its subsidiaries totalling HK\$163,820,000 (2004: HK\$154,651,000) in connection with general banking facilities granted to those subsidiaries. At 31st March 2005, total facilities utilised amounted to HK\$48,595,000 (2004: HK\$35,994,000).
- (b) One of the Company's subsidiaries is being involved in an investigation by the Chinese authority regarding the printing for third party publishers of certain materials, part of the content of which was alleged to be not allowed under the laws of Mainland China. The subsidiary is now in its normal operation. As of the date on which the Company's accounts are approved, the Company is not able to predict the outcome of the investigation. Having discussed with the legal counsel, the board of directors believes that there is no significant impact on the results of the operations and the financial position of the Group.

29. SUBSEQUENT EVENT

On 10th May 2005, the Company made an application to the Stock Exchange for the approval of the proposed spin-off of One Media Group Limited ("OMG"), a newly formed company that operates the Group's lifestyle magazine business, and OMG submitted an advance booking form (Form A1) to the Stock Exchange for an application for the listing of, and permission to deal in, the shares of OMG on the Main Board of the Stock Exchange. The proposed spin-off is subject to the requirements under Practice Note 15 and other relevant provisions of the Listing Rules.

30. ULTIMATE HOLDING COMPANY

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

31. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 30th June 2005.

Notes to the Accounts

31st March 2005

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

- (a) Particulars of principal subsidiaries at 31st March 2005 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
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	60	Magazine publishing

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

- (a) Particulars of principal subsidiaries at 31st March 2005 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
M2U Advertising Company Limited	100 ordinary shares of HK\$1 each	60	Advertising business
Maribo Brief Limited	2 ordinary shares of HK\$1 each	100	Property investment
Media2U Company Limited	101 ordinary shares of HK\$1 each	60	Investment holding
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
Ming Pao Magazines Limited	10 ordinary shares of HK\$1 each	60	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

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31st March 2005

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

- (b) Particulars of principal subsidiaries at 31st March 2005 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
Beijing Times Resource Advertising Company Limited (<i>notes (b) & (d)</i>)	Mainland China	RMB500,000	60	Magazines advertising
Beijing Times Resource Technology Consulting Limited (<i>notes (b) & (d)</i>)	Mainland China	RMB330,000	60	Magazines operating
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	100	Investment holding
Guangzhou Kin Ming Printing Limited (<i>notes (c) & (d)</i>)	Mainland China	HK\$25,000,000	100	Provision of printing services

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

(b) Particulars of principal subsidiaries at 31st March 2005 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
Media2U (BVI) Company Limited (<i>note (e)</i>)	British Virgin Islands	1 ordinary share of US\$1	60	Investment holding
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	100	Investment holding
Ming Pao International Investment Limited	British Virgin Islands	10 ordinary shares 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	100	Newspaper publishing
Ming Pao (San Francisco) Inc.	The United States of America	1 common share of US\$1	100	Newspaper publishing
Mingpao.com Holdings Limited	Cayman Islands	717,735 ordinary shares of HK\$0.1 each	97.78	Investment holding

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32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

- (b) Particulars of principal subsidiaries at 31st March 2005 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
MP Printing Inc.	The United States of America	1 common share of US\$1	100	Provision of printing services
One Media Group Limited	Cayman Islands	1,000,000 ordinary shares of HK\$0.001 each	60	Investment holding
One Media Holdings Limited (formerly known as One Media Group Limited)	British Virgin Islands	10,000 ordinary shares of US\$0.01 each	60	Investment holding
Starsome Limited (note (e))	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	60	Investment holding
Winmax Resources Limited (note (e))	British Virgin Islands	100,000 ordinary shares of US\$0.01 each	60	Investment holding

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES (Cont'd)

- (b) Particulars of principal subsidiaries at 31st March 2005 that are incorporated outside Hong Kong are as follows: (Cont'd)

Notes:

- (a) All companies operate in their respective places of incorporation, except for First Collection Limited, Media2U (BVI) Company Limited, Ming Pao Finance Limited, Ming Pao International Investment Limited, Mingpao.com Holdings Limited, One Media Group Limited, One Media Holdings Limited, Starsome Limited, Top Plus Limited and Winmax Resources Limited, which operate principally in Hong Kong.
- (b) Beijing Times Resource Advertising Company Limited ("TRA") and Beijing Times Resource Technology Consulting Limited ("TRT") are domestic enterprises in Mainland China owned legally by Mainland China nationals. The Group has entered into contractual arrangements with the legal owners of these companies so that the decision-making rights, operating and financing activities of TRA and TRT are ultimately controlled by the Group. The Group is also entitled to substantially all of the operating profits and residual benefits generated by TRA and TRT under these arrangements. In particular, the legal owners of these companies are required under their contractual arrangements with the Group to transfer their interests in TRA and TRT to the Group or the Group's designee upon the Group's request at a pre-agreed nominal consideration. Further, the Group can receive the cash flow derived from the operations of TRA and TRT through the levying of service and consultancy fees. The ownership interests in TRA and TRT have also been pledged by the legal owners of these companies to the Group. Based on the above, the directors regard these companies as subsidiaries of the Company.
- (c) The subsidiary was established in Mainland China in the form of a wholly owned foreign enterprise.
- (d) The subsidiaries have 31st December as their financial accounting year end date, which is not coterminous with that of the Group for the reason of compliance with local regulations.
- (e) During the year, the Group acquired Media2U (BVI) Company Limited and its subsidiaries (the "Media2U Group") from Redgate Media Inc. ("Redgate"). Pursuant to the transaction, Winmax Resources Limited ("Winmax"), a subsidiary of the Company which operates the Group's lifestyle magazine business, conditionally allotted 40% of its issued share capital to Redgate. As a consideration, Redgate transferred its 100% equity interest in Media2U Group together with a cash payment of HK\$8,921,000 to Winmax.

As a condition of the above transaction, Redgate has undertaken to Winmax's immediate holding company, Starsome Limited ("Starsome"), that if Media2U Group cannot achieve an agreed pre-tax profit described in the relevant agreements, Redgate shall pay to Starsome a pre-determined cash amount or, at the discretion of Redgate and in lieu of payment of such cash payment, reduce Redgate's shareholding in Winmax by transferring its Winmax shares to Starsome in accordance with an agreed schedule. Details of the transaction were disclosed in the Company's announcement dated 12th March 2004.

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.