Notes to the Financial Statements

For the year ended 31 March 2006

1. GENERAL INFORMATION

Oriental Press Group Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is Oriental Press Centre, 23 Dai Cheong Street, Tai Po Industrial Estate, Hong Kong, and its principal place of business is in Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company are investment holding and provision of corporate management services. The principal activities and other particulars of its subsidiaries are set out in note 19 to the financial statements.

The financial statements on pages 20 to 62 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance. The financial statements included the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

The financial statements for the year ended 31 March 2006 were approved and authorised for issue by the Board of Directors on 7 July 2006.

2. ADOPTION OF NEW OR REVISED HKFRS

From 1 April 2005, the Group has adopted for the first time the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 3	Business Combinations
HK(SIC)-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HK(SIC)-Int 31	Revenue – Barter Transactions Involving Advertising Services

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the 2005 financial statements and their presentation have been amended in accordance with HKAS 8. Due to the change in accounting policies, the 2005 comparatives contained in these financial statements differ from those published in the financial statements for the year ended 31 March 2005.

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect to presentation, recognition and measurement of accounts are described as follows:

HKAS 1 "Presentation of Financial Statements"

The application of HKAS 1 has resulted in a change in the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the Company is now presented as an allocation of the net result of the year.

HKAS 17 "Leases"

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at valuation less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to leasehold land under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively. Where the land and buildings elements cannot be allocated reliably, the entire lease payments continue to be treated as finance leases and included in property, plant and equipment.

HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement"

Prior to the adoption of HKAS 39, the Group has recorded its club membership at cost less any provision for impairment losses.

On the adoption of HKAS 39, the Group classified its club membership as available-for-sale financial assets at fair value.

As the available-for-sale financial assets of the Group do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Therefore, the adoption of HKAS 39 had no impact on the Group's financial results for the years ended 31 March 2005 and 2006.

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

The adoption of other new or revised standards of HKFRS did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any significant changes to the amounts or disclosures in these financial statements.

The effect of adopting HKAS 17# is summarised below:

On consolidated income statement

	2006	2005
	HK$'000	*HK$'000*
Decrease in depreciation	**4,615**	2,431
Increase in other operating expenses	**(935)**	(935)
Total increase in profit	**3,680**	1,496
Increase in basic earnings per share	**HK0.15 cent**	HK0.06 cent

On consolidated balance sheet

	1 April 2004	31 March 2005	**31 March 2006**
	HK$'000	*HK$'000*	***HK$'000***
Increase/(decrease) in equity/liabilities			
Revaluation reserves	(75,151)	(156,162)	**(156,162)**
Retained earnings	18,043	19,539	**23,219**
Deferred tax liabilities	(15,941)	(33,124)	**(33,124)**
Increase/(decrease) in assets			
Property, plant and equipment	(152,537)	(248,300)	**(204,385)**
Leasehold land	79,488	78,553	**38,318**

adjustments which take effect retrospectively

2. ADOPTION OF NEW OR REVISED HKFRS *(Continued)*

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The Directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC)-Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC)-Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

Note:

[1] Effective for annual periods beginning on or after 1 January 2007.
[2] Effective for annual periods beginning on or after 1 January 2006.
[3] Effective for annual periods beginning on or after 1 December 2005.
[4] Effective for annual periods beginning on or after 1 March 2006.

3. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain properties and certain financial assets. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

(c) Subsidiaries

Subsidiaries are those entities in which the Company controls more than half of the voting power, or holds more than half of the issued share capital, or controls the composition of the board of directors.

Acquired subsidiaries are subject to application of the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

(d) Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and the differences derived therefrom are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rate at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the exchange reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Hong Kong dollars at the closing rates.

(e) Income and expense recognition

Revenue comprises the fair value for the sale of goods and services, net of rebates and discounts and after elimination of sales within the Group.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

(a) Revenue from sales of newspapers to distributors or customers is recognised when the products are delivered and title has passed.

(b) Advertising income is recognised when the relevant advertisement is published.

(c) Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(d) Interest income is recognised on a time-proportion basis using the effective interest method.

(e) Hotel operation income is recognised upon provision of the services.

(f) Canteen operation income is recognised upon the sale of goods.

Operating expenses are recognised in the income statement upon utilisation of the services.

(f) Borrowing costs

All borrowing costs are expensed as incurred.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment

All freehold land and buildings are recognised at fair value, based on their use at the date of revaluation less any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers or the Company's directors every year, unless market-based factors indicate a risk of impairment. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of freehold land and buildings is credited to the revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3(j). To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the revaluation reserve. A decrease in net carrying amount of freehold land and buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the asset and the remaining decrease recognised in income statement.

Depreciation on property, plant and equipment, other than property under development, is provided to write off the cost or revalued amounts over their estimated useful lives, using the straight-line method, at the following rates per annum:

Freehold land is not depreciated	
Buildings	2.0% – 5.8%
Plant, machinery and printing equipment	5.0% – 33.3%
Furniture, fixtures and equipment	20.0% – 33.3%
Motor vehicles	18.8% – 25.0%

Property under development is stated at cost less any identified impairment loss. This property will be reclassified as land and building upon completion of the development.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(h) Leasehold land

Leasehold land represents up-front payments to acquire long term interests in the usage of land. The payments are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated on straight-line basis over the lease term.

(i) Investment property

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

(j) Impairment of assets

Property, plant and equipment, leasehold land and interest in subsidiaries are subject to impairment testing.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard (refer to note 3(g) for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation.

An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(k) Leases (as the lessee)

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Leases (as the lessor)

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(l) Financial assets

The Group's financial assets include trade receivable, other debtors and deposits and available-for-sale financial assets.

Trade receivables and other debtors and deposits are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and other debtors and deposits are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

A provision for impairment of trade receivables and other debtors and deposits are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Available-for-sale financial assets mainly comprised club membership. Available-for-sale financial assets include non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are subsequently measured at fair value, with changes in value recognised in equity. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement. When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in the income statement even though the financial asset has not been derecognised.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. An impairment loss is recognised in income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not reverse in subsequent periods.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(n) Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the tax periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement or in equity if they relate to items that are charged or credited directly to equity.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(o) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less.

(p) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from the share premium (net of any related income tax benefit), to the extent they are incremental costs directly attributable to the equity transaction.

(q) Retirement benefit costs and short-term employee benefits

Defined contribution plan

The Group contributes to a defined contribution retirement benefit scheme ("MPF scheme") under the Mandatory Provident Fund Scheme Ordinance which is available to its employees in Hong Kong. Contributions to the MPF Scheme by the Group and employees are calculated as percentages of employees' basic salaries. The retirement benefit scheme cost charged to income statement represents contributions payable by the Group to the MPF scheme.

The assets of the MPF Scheme are held separately from those of the Group in independently administered funds.

Short-term employee benefits

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.

Non-accumulating compensated absences are not recognised until the time of leave.

(r) Financial liabilities

The Group's financial liabilities include borrowings, trade payables, other creditors and accruals. They are included in balance sheet line items as "Borrowings" under current and non-current liabilities, "Trade payables" and "Other creditors, accruals and deposits received" under current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(r) Financial liabilities *(Continued)*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade payables and other creditors and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest rate method.

(s) Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3. SUMMARY OF ACCOUNTING POLICIES *(Continued)*

(t) Related parties

Parties are considered to be related to if the Group:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Group;
- has an interest in the Group that gives it significant influence over the Group;
- has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family or any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Depreciation

The Group depreciates the property, plant and equipment on a straight-line basis over the estimated useful lives of 3 to 50 years, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the Directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment.

(ii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of receivables at the balance sheet date.

5. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, represents total invoiced value of goods supplied and services rendered. Revenue recognised during the year is as follows:

	2006 ***HK$'000***	2005 *HK$'000*
Publication of newspapers	**1,869,293**	2,009,533
Property investment and building management	**4,573**	2,422
Income from hotel operation	**20,734**	12,368
Income from canteen operation	**9,439**	–
	1,904,039	2,024,323

5. REVENUE AND TURNOVER *(Continued)*

	2006	2005
	HK$'000	*HK$'000*
Included in other income are:		
Interest earned on bank deposits	**33,010**	14,134
Sales of scrap materials	**11,719**	11,724
Write-back of allowance for bad and doubtful debts	**12,783**	–

6. SEGMENT INFORMATION

The Group is primarily engaged in the publication of newspapers. Over 90% of the Group's principal activities during the year are carried out in Hong Kong and over 90% of the Group's assets are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

7. PROFIT FROM OPERATIONS

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Profit from operations is arrived at after charging/(crediting):		
Auditors' remuneration	**1,165**	1,061
Impairment of trade receivables	**1,335**	2,212
Amortisation of leasehold land	**935**	935
Net exchange loss/(gain)	**2,527**	(1,229)
Outgoings in respect of investment properties	**1,611**	–
Operating lease charges on land and buildings	**5,628**	8,074

8. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
Interest charges on borrowings wholly repayable within 5 years:		
Bank loans	**4,653**	2,484
Other loan *(Note 29(b))*	**375**	–
	5,028	2,484

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2005: 17.5%) of the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Tax for the year	**37,301**	57,035
Under/(over)-provision in respect of prior years	**1,290**	(1,522)
	38,591	55,513
– overseas		
Under-provision in respect of prior years	**17**	–
	38,608	55,513
Deferred tax *(Note 28)*	**(27,226)**	9,249
	11,382	64,762

Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006		2005	
	HK$'000	*%*	*HK$'000* (Restated)	*%*
Profit before income tax	**139,041**		365,896	
Tax on profit before income tax, calculated at the rate of 17.5%	**24,332**	**17.5**	64,032	17.5
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(1,335)**	**(1.0)**	–	–
Tax effect of non-taxable revenue	**(8,299)**	**(6.0)**	(2,940)	(0.8)
Tax effect of non-deductible expenses	**1,939**	**1.4**	3,822	1.0
Under/(Over)-provision in prior years	**1,307**	**0.9**	(1,522)	(0.4)
Tax effect of prior year's tax losses utilised this year	**(609)**	**(0.4)**	(294)	(0.1)
Tax effect of prior year's tax losses recognised this year	**(4,796)**	**(3.4)**	–	–
Others	**(1,157)**	**(0.8)**	1,664	0.5
Income tax expense and effective tax rate for the year	**11,382**	**8.2**	64,762	17.7

10. PROFIT FOR THE YEAR

Of the consolidated profit for the year of HK$127,659,000 (2005: restated as HK$301,134,000), a profit of HK$244,238,000 (2005: HK$240,567,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividends attributable to the year

	2006	2005
	HK$'000	*HK$'000*
Interim dividend paid: HK2.5 cents (2005: HK3.5 cents) per share	**59,948**	83,927
Proposed final dividend: HK2 cents (2005: HK7 cents) per share	**47,958**	167,854
Proposed special dividend: HK0.5 cent (2005: Nil) per share	**11,990**	–
	119,896	251,781

The final dividend of HK2 cents (2005: HK7 cents) and special dividend of HK0.5 cent (2005: Nil) per share have been proposed by the Board of Directors and are subject to the approval by the shareholders in the forthcoming annual general meeting. As such, the proposed dividends have not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained profits for the year ended 31 March 2006.

(b) Dividends attributable to the previous financial year, approved and paid during the year

	2006	2005
	HK$'000	*HK$'000*
2005 final dividend of HK7 cents per share (2005: 2004 final and special dividends totalling HK11 cents)	**167,854**	263,771

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK$126,583,000 (2005: restated as HK$302,222,000) and on 2,397,917,898 (2005: 2,397,917,898) ordinary shares in issue during the year.

No diluted earnings per share have been presented as there were no dilutive potential ordinary shares in issue for both years.

13. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2006	2005
	HK$'000	*HK$'000*
Wages and salaries	**685,886**	658,383
Unutilised annual leave	**2,570**	902
Termination benefits	**961**	528
Pension costs – defined contribution plans	**22,172**	21,658
	711,589	681,471

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Executive directors and non-executive directors

	Fees	Salaries and allowances	Discretionary bonuses	Contribution to defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 March 2006					
Executive directors					
Mr. Ching-fat MA*	50	17,250	–	11	17,311
Mr. Ching-choi MA*	50	8,400	–	6	8,456
Mr. Shun-chuen LAM	50	2,700	2,225	12	4,987
Mr. Shun-choi LAM**	–	2,700	2,000	6	4,706
Non-executive director					
Mr. Dominic LAI	55	–	–	–	55
Independent non-executive directors					
Mr. Siu-leun CHAM**	50	–	–	–	50
Mr. Yau-nam CHAM*	–	–	–	–	–
Mr. Ping-wing PAO	55	–	–	–	55
Mr. Yat-fai LAM	60	–	–	–	60
	370	**31,050**	**4,225**	**35**	**35,680**
Year ended 31 March 2005					
Executive directors					
Mr. Shun-chuen LAM	50	2,701	229	12	2,992
Mr. Shun-choi LAM	50	5,401	454	12	5,917
Non-executive director					
Mr. Dominic LAI	55	–	–	–	55
Independent non-executive directors					
Mr. Siu-leun CHAM	50	–	–	–	50
Mr. Ping-wing PAO	55	–	–	–	55
Mr. Yat-fai LAM	60	–	–	–	60
	320	8,102	683	24	9,129

* *Newly appointed during the year*

** *Resigned during the year*

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

There was no arrangement under which a director waived or agreed to waive any emoluments during the year.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

(b) The emoluments of the top five individuals during the year included four (2005: two) directors, details of whose emoluments are set out in note 14(a) above. As two members of staff were newly appointed as directors and a director resigned as a director during the year ended 31 March 2006, the total emoluments payable to them, including their emoluments earned before they became directors or resigned as director, together with the emoluments payable to the remaining one (2005: three) individual for the year are as follows:

	2006	2005
	HK$'000	*HK$'000*
Salaries and other benefits	**49,730**	38,215
Contribution to defined contribution plan	**48**	36
	49,778	38,251

(c) The emoluments of the top five individuals fell within the following bands:

Emolument bands		**Number of individuals**	
		2006	2005
HK$	*HK$*		
2,500,001 –	3,000,000	**1**	1
3,000,001 –	3,500,000	**–**	1
4,500,001 –	5,000,000	**1**	–
5,500,001 –	6,000,000	**–**	1
7,500,001 –	8,000,000	**1**	–
15,500,001 –	16,000,000	**–**	1
17,500,001 –	18,000,000	**1**	–
19,500,001 –	20,000,000	**–**	1
21,500,001 –	22,000,000	**1**	–

During the year, no emoluments were paid by the Group to these individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land and buildings HK$'000	Property under development HK$'000	Plant, machinery and printing equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2004						
Cost or valuation						
– as previously reported	362,650	490,474	913,924	236,759	15,231	2,019,038
– effect of adopting HKAS 17	(116,300)	(36,237)	–	–	–	(152,537)
As restated	246,350	454,237	913,924	236,759	15,231	1,866,501
Accumulated depreciation and impairment	–	–	(387,363)	(219,899)	(10,537)	(617,799)
Net book value	246,350	454,237	526,561	16,860	4,694	1,248,702
Year ended 31 March 2005						
Opening net book amount						
– as previously reported	362,650	490,474	526,561	16,860	4,694	1,401,239
– effect of adopting HKAS 17	(116,300)	(36,237)	–	–	–	(152,537)
As restated	246,350	454,237	526,561	16,860	4,694	1,248,702
Revaluation surplus	9,628	–	–	–	–	9,628
Additions	73,242	112,441	247,256	8,913	6,820	448,672
Disposals	–	–	(156,439)	(84)	(61)	(156,584)
Transfer	543,559	(566,678)	–	23,119	–	–
Depreciation	(18,359)	–	(46,438)	(20,881)	(3,783)	(89,461)
Closing net book amount	854,420	–	570,940	27,927	7,670	1,460,957
At 31 March 2005						
Cost or valuation						
– as previously reported	1,102,720	–	885,838	261,885	19,234	2,269,677
– effect of adopting HKAS 17	(248,300)	–	–	–	–	(248,300)
As restated	854,420	–	885,838	261,885	19,234	2,021,377
Accumulated depreciation and impairment	–	–	(314,898)	(233,958)	(11,564)	(560,420)
Net book value	854,420	–	570,940	27,927	7,670	1,460,957
Year ended 31 March 2006						
Opening net book amount						
– as previously reported	1,102,720	–	570,940	27,927	7,670	1,709,257
– effect of adopting HKAS 17	(248,300)	–	–	–	–	(248,300)
As restated	854,420	–	570,940	27,927	7,670	1,460,957
Exchange differences	(4,025)	–	(866)	(25)	(12)	(4,928)
Revaluation surplus	21,928	–	–	–	–	21,928
Transfers	(117,273)	–	–	–	–	(117,273)
Additions	1,687	–	7,168	41,343	3,616	53,814
Disposals	(125,700)	–	(38,196)	(234)	(192)	(164,322)
Depreciation	(16,461)	–	(43,915)	(15,787)	(3,977)	(80,140)
Closing net book amount	**614,576**	**–**	**495,131**	**53,224**	**7,105**	**1,170,036**
At 31 March 2006						
Cost or valuation	614,576	–	831,549	138,444	19,665	1,604,234
Accumulated depreciation and impairment	–	–	(336,418)	(85,220)	(12,560)	(434,198)
Net book value	**614,576**	**–**	**495,131**	**53,224**	**7,105**	**1,170,036**

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2006 HK$'000	2005 HK$'000 (Restated)
Cost	**625,537**	938,253
Accumulated depreciation	**(31,083)**	(85,399)
Net book value	**594,454**	852,854

The analysis of cost or valuation of the above property, plant and equipment at 31 March 2006 and 2005 is as follows:

	Freehold land and buildings HK$'000	Plant, machinery and printing equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost	–	831,549	138,444	19,665	989,658
At valuation – 2006	614,576	–	–	–	614,576
At 31 March 2006	**614,576**	**831,549**	**138,444**	**19,665**	**1,604,234**
At cost	–	885,838	261,885	19,234	1,166,957
At valuation – 2005	854,420	–	–	–	854,420
At 31 March 2005	854,420	885,838	261,885	19,234	2,021,377

The buildings situated in Hong Kong were revalued individually at 31 March 2006 by DTZ Debenham Tie Leung Limited, an independent professional valuer, on an open market value basis or a depreciated replacement cost basis, as appropriate. The freehold land and building situated in Australia were revalued at 31 March 2006 by Knight Frank Valuations, an independent professional valuer on an open market value basis. The building situated in Mainland China was revalued at 31 March 2006 by the Directors with reference to the estimated market value. The revaluation surplus of HK$10,594,000 (2005: HK$12,195,000), net of applicable deferred income taxes, and the net revaluation surplus of HK$9,087,000 (2005: net revaluation deficit of HK$4,821,000), resulting from the above valuations were credited to the revaluation reserve in the shareholders' equity and recognised in the income statement, respectively.

Included in freehold land and buildings of the Group are assets carried at carrying amount of HK$55,362,000 (2005: HK$52,920,000) being held for generating income from hotel operation in Australia.

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Company

	Motor vehicles *HK$'000*
At 1 April 2004	
Cost	15,231
Accumulated depreciation	(10,537)
Net book value	4,694
Year ended 31 March 2005	
Opening net book amount	4,694
Additions	6,647
Depreciation	(3,781)
Disposals	(61)
Closing net book amount	7,499
At 31 March 2005	
Cost	19,061
Accumulated depreciation	(11,562)
Net book value	7,499
Year ended 31 March 2006	
Opening net book amount	7,499
Additions	3,616
Depreciation	(3,945)
Disposals	(192)
Closing net book amount	**6,978**
At 31 March 2006	
Cost	19,505
Accumulated depreciation	(12,527)
Net book value	**6,978**

16. LEASEHOLD LAND

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
		(Restated)
In Hong Kong held on:		
Leases of over 50 years	**6,020**	6,167
Leases of between 10 to 50 years	**32,298**	72,386
	38,318	78,553
Opening net carrying amount	**78,553**	79,488
Disposals	**(39,300)**	–
Annual charges of prepaid operating lease payments	**(935)**	(935)
Closing net carrying amount	**38,318**	78,553

17. INVESTMENT PROPERTIES

Investment properties include overseas real estate property, which is owned for investment purposes only.

Changes to the carrying amounts presented in the consolidated balance sheet can be summarised as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Carrying amount at beginning of the year	**–**	–
Additions	**42,740**	–
Transfers from property, plant and equipment	**117,273**	–
Net loss from fair value adjustments	**(17,802)**	–
Carrying amount at 31 March	**142,211**	–

Investment property situated in Hong Kong was revalued at 31 March 2006 by independent, professionally qualified valuers, DTZ Debenham Tie Leung Limited. Valuations were based on current prices in an active market for all properties.

Investment property situated in Australia was revalued at 31 March 2006 by independent, professionally qualified valuers, Knight Frank Valuations. Valuations were based on current prices in an active market for all properties.

17. INVESTMENT PROPERTIES *(Continued)*

The Group's interest in investment property at its carrying amount is analysed as follows:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
In Hong Kong, held on leases within 50 years	**117,273**	–
Outside Hong Kong, freehold	**24,938**	–
	142,211	–

18. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group and The Company	
	2006	2005
	HK$'000	*HK$'000*
Club membership, stated at cost	**4,745**	4,745

The club membership does not have a quoted market price in an active market and whose fair value cannot be reliably measured.

19. INTERESTS IN SUBSIDIARIES

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,747**	43,747
Advances to subsidiaries	**2,046,044**	2,035,845
	2,089,791	2,079,592
Impairment losses recognised	**(695)**	(695)
	2,089,096	2,078,897
Less: Portion due within one year included under current assets	**(2,046,044)**	–
Non-current portion included in non-current assets	**43,052**	2,078,897

Since 1 April 2005 and at 31 March 2006, the advances to subsidiaries are unsecured, interest free and repayable on demand. Accordingly, the amounts are therefore shown as current.

At 31 March 2005, the advances to subsidiaries are unsecured, interest free and have no fixed repayment terms. In the opinion of the Directors, the Company will not demand repayment within twelve months of the balance sheet date and the amounts were therefore shown as non-current.

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Particulars of the principal subsidiaries of the Company at 31 March 2006 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary shares held by the Company	Principal activity
Brilliant City Company Limited	Hong Kong	HK$100	Property leasing
Dragon Asia Property Limited	Hong Kong	HK$100	Property holding
Long Joy Investments Limited	Hong Kong	HK$100	Property leasing
Long Universal Limited	Hong Kong	HK$1	Canteen operation
Lucky Million Limited	Hong Kong	HK$1	Transportation service
Mass Trinity Limited	Hong Kong	HK$1	Property holding
New Reform Limited	Hong Kong	HK$100	Property holding
OPG Building Management Limited#	Hong Kong	HK$2	Building management
OPG Finance Limited	Hong Kong	HK$2	Treasury company
OPG Human Resources Limited	Hong Kong	HK$2	Human resources services
OPG Printing Limited	Hong Kong	HK$100	Printing services
Oriental Daily News Limited	Hong Kong	HK$100	Newspaper publication
Oriental Daily Publisher Limited#	Hong Kong	HK$100	Registered publisher
Oriental Press Centre Limited	Hong Kong	HK$2	Property holding/investment
Oriental Publications Limited	Hong Kong	HK$100	Publication services
Orisun.com (HK) Limited#	Hong Kong	HK$2	Website service provider
Orisun.com Operations Limited#	Hong Kong	HK$2	Website service provider
Queen Glory Company Limited#	Hong Kong	HK$2	Property holding
The Sun News Publisher Limited#	Hong Kong	HK$100	Registered publisher
The Sun Racing Journal Limited	Hong Kong	HK$2	Horse racing journal publication

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary shares held by the Company	Principal activity
Topever International Limited	Hong Kong	HK$100	Property leasing
United Master Limited	Hong Kong	HK$100	Property holding
Pan Profits Limited	Hong Kong/ Australia	HK$1	Investment holding
Pacific Resort Holding Pty Limited##*	Australia	AUD3,150,000	Hotel operation
New Pacific Holdings Pty Limited#*	Australia	AUD100	Property investment

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results of the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

All the subsidiaries are directly held and wholly-owned private limited companies except otherwise stated.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

\# *100% of equity interest indirectly held by the Company*

\## *90% of equity interest indirectly held by the Company*

* *Not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms. The aggregate net assets of subsidiaries not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms amounted to approximately 0.5% of the Group's total assets.*

20. INVENTORIES

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Newsprint and printing materials	**81,396**	252,441
Spare parts and supplies	**16,832**	17,067
Others	**1,936**	1,731
	100,164	271,239

21. TRADE RECEIVABLES

The Group allows an average credit of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the balance sheet date:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**138,798**	132,283
61 – 90 days	**57,743**	71,142
Over 90 days	**82,902**	96,271
	279,443	299,696

22. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Other debtors	**5,501**	7,694
Deposits	**1,588**	6,329
Prepayments	**4,184**	4,195
	11,273	18,218

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Deposits	**130**	–
Prepayments	**218**	218
	348	218

23. CASH AND CASH EQUIVALENTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Cash at bank and in hand	**67,781**	130,733
Short-term bank deposits	**929,020**	640,073
	996,801	770,806

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Cash at bank and in hand	**1,688**	1,167

Cash at bank earns interest at floating rates based on daily bank deposits rates. The effective interest rate of short-term bank deposits is ranging from 0.3% to 4.9% (2005: 0.1% to 5%) and have a maturity within 30 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

24. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	The Group	
	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**67,769**	62,048
61 – 90 days	**7,227**	2,377
Over 90 days	**15,313**	11,659
	90,309	76,084

	The Company	
	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**100**	228
61 – 90 days	**–**	–
Over 90 days	**1,055**	2,453
	1,155	2,681

25. OTHER CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Other creditors	**76,384**	69,008
Accruals	**37,316**	83,830
Deposits received	**16,497**	10,816
	130,197	163,654

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Other creditors	**1,332**	1,194
Accruals	**1,521**	4,895
	2,853	6,089

26. BORROWINGS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Non-current		
Bank loans	**–**	79,037
Other loan	**–**	6,519
	–	85,556
Current		
Bank loans	**72,796**	–
Other loan	**5,823**	–
	78,619	–
	78,619	85,556

At 31 March 2006, the bank loans denominated in Australian dollar were secured by a pledged bank deposit of the Group amounting to HK$102,286,000 (2005: HK$98,798,000) and bore interests at variable rate of Australian dollar's LIBOR plus 0.3% (2005: Australian dollar's LIBOR plus 0.3%).

Other loan denominated in Australian dollar, which was made by a minority shareholder of a subsidiary of the Company, was unsecured, interest bearing at 4% per annum and repayable on demand.

26. BORROWINGS *(Continued)*

At 31 March 2006, the Group's bank and other loans were repayable as follows:

	The Group			
	Bank loans		Other loan	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**72,796**	–	**5,823**	–
In the second year	**–**	79,037	**–**	6,519
Wholly repayable within 5 years	**72,796**	79,037	**5,823**	6,519

The carrying amounts of borrowings approximate their fair value.

27. SHARE CAPITAL

	2006 and 2005	
	Number of shares	*HK$'000*
Ordinary shares of HK$0.25 each		
Authorised:		
At beginning and end of the year	5,000,000,000	1,250,000
Issued and fully paid:		
At beginning and end of the year	2,397,917,898	599,479

28. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2005: 17.5%).

28. DEFERRED TAXATION *(Continued)*

The movement in deferred tax assets and liabilities during the year is as follows:

The Group

	Accelerated tax depreciation	Allowance for bad and doubtful debts	Revaluation of properties	Tax losses	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004 (restated)	76,401	(2,124)	9,310	(252)	–	83,335
Charged/(credited) to income statement	27,479	(121)	–	(18,109)	–	9,249
Charged to equity	–	–	2,253	–	–	2,253
At 31 March 2005 and 1 April 2005 (restated)	103,880	(2,245)	11,563	(18,361)	–	94,837
(Credited)/charged to income statement	(9,969)	2,245	–	(19,852)	350	(27,226)
Charged to equity	–	–	2,247	–	–	2,247
At 31 March 2006	**93,911**	**–**	**13,810**	**(38,213)**	**350**	**69,858**

The Company

	Accelerated tax depreciation
	HK$'000
At 1 April 2004	598
Charged to income statement	300
At 31 March 2005 and 1 April 2005	898
Credited to income statement	(69)
At 31 March 2006	**829**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group		**The Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000*
Deferred tax liabilities	**106,024**	115,889	**829**	898
Deferred tax assets	**(36,166)**	(21,052)	**–**	–
	69,858	94,837	**829**	898

28. DEFERRED TAXATION *(Continued)*

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

	The Group		The Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Fair value reserves in shareholders' equity:				
– buildings	**2,247**	2,253	**–**	–

Deferred tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK$2,695,000 (2005: approximately HK$2,779,000) due to the unpredictability of the future profit streams.

29. RELATED PARTY TRANSACTIONS

(a) During the year, the Group paid legal fees amounting to HK$2,204,000 (2005: HK$1,954,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, a non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li. The transaction prices were considered by the Directors as estimated market value.

(b) Interest paid to minority shareholders amounting to HK$375,000 (2005: Nil).

30. OPERATING LEASE COMMITMENTS

At 31 March 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**1,443**	871
In the second to fifth years	**803**	–
	2,246	871

The Group leases a number of premises under operating leases. The leases run for an initial period of one to two years, with an option to renew the lease terms and negotiated the terms at the expiry date or at dates as mutually agreed between the Group and respective landlords/lessors. None of the leases include contingent rentals.

31. FUTURE OPERATING LEASE ARRANGEMENTS

At 31 March 2006, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,205**	–
In the second to fifth years	**1,336**	–
	4,541	–

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of two years, with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

32. CAPITAL COMMITMENTS

	The Group	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	**2,604**	2,029

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided for in the financial statements	**1,172**	–

33. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements, in respect of:

	The Company	
	2006	2005
	HK$'000	*HK$'000*
Guarantees for banking facilities utilised by subsidiaries	**51,402**	60,571

34. RETIREMENT BENEFIT SCHEME

The employees of the Group in Hong Kong were covered under the MPF Scheme which is a defined contribution scheme and the assets are managed by the trustee. The MPF Scheme is available to all employees aged 18 to 64 and with at least 60 days of service under the employment of the Group in Hong Kong. Contributions are made by the Group at 5% of the staff's relevant income. The maximum relevant income of each staff for contribution purpose is HK$20,000 per month. Staff members are entitled to 100% of the Group's contributions plus the accrued returns irrespective of their length of service with the Group, but the benefits are required by law to be preserved until the retirement age of 65. During the year, contributions to the MPF Scheme amounted to HK$22,172,000 (2005: HK$21,313,000).

35. OUTSTANDING LITIGATIONS

At the balance sheet date, there have been several outstanding defamatory litigations brought against the Group. The Group has been strongly contesting those claims. Even though the final outcome of the proceedings is still uncertain as of the date of these financial statements, the Directors are of the opinion that the respective ultimate liability, if any, will not have a material adverse impact upon the Group's financial position.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the Directors meet periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Directors consider that the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The financial assets of the Group comprise primarily club membership, trade receivables, other debtors, deposits and cash and cash equivalents. The financial liabilities of the Group comprise primarily trade payables and other creditors and accruals.

(a) Foreign currency risk

Bank and other loans of the Group are denominated in Australian dollar (Note 26). The Group currently does not have a foreign currency hedging policy in respect of foreign currency debt. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The Group entered into foreign currency forward contracts over the next month to 1.5 years. The amount has not been recognised as derivative financial instrument in these financial statements as there is no significant impact to the Group's financial results.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount.

The Group's trade and other debtors are actively monitored to avoid significant concentrations of credit risk.

In addition, for a significant proportion of sales, deposit are received to mitigate credit risk. The Group has adopted a no-business policy with customers lacking an appropriate credit history where credit records are available.

(c) Cash flow and interest rate risk

Cash flow and interest rate risks are managed by means of derivative financial instruments, where necessary, to ensure short-to medium term liquidity.

The Company currently has no financial liabilities with floating interest rates.

(d) Fair value

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.