Notes to the Financial Statements

For the year ended 31 March 2007

1. GENERAL INFORMATION

Oriental Press Group Limited (the "Company") is a limited liability company incorporated and domiciled 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 ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the requirements of the Hong Kong Companies Ordinance. The financial statements also include the applicable disclosure requirements of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

The financial statements for the year ended 31 March 2007 were approved and authorised for issue by the Board of Directors on 29 June 2007.

2. ADOPTION OF NEW AND AMENDED HKFRSs

Adoption of new and amended HKFRSs effective on or after 1 April 2006

From 1 April 2006, the Company and its subsidiaries (collectively known as the "Group") have adopted all the new and amended HKFRSs which are first effective on 1 April 2006 and relevant to the Group. The adoption of these HKFRSs has resulted in changes in the Group's accounting policies on financial guarantee contracts.

HKAS 39 and HKFRS 4 (Amendments) "Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts"

The amendments to HKAS 39 require an entity to account for certain financial guarantee contracts in accordance with that standard. To comply with the requirements of the amended HKAS 39, the Group has adopted a new accounting policy to recognise financial guarantee contracts. On initial recognition, these contracts are measured at fair value and they are subsequently stated at the higher of:

– the amount initially recognised less where appropriate, cumulative amortisation recognised in accordance with the Group's revenue recognition policies; and

– the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provision, Contingent Liabilities and Contingent Assets".

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

Adoption of new and amended HKFRSs effective on or after 1 April 2006 *(Continued)*

HKAS 39 and HKFRS 4 (Amendments) Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts (Continued)

Details of this new accounting policy are set out in note 3(t).

Prior to this new accounting policy, the Group disclosed the financial guarantees issued as contingent liabilities in accordance with HKFRS 4 "Insurance Contracts" and HKAS 37. Provisions for the Group's liabilities under the financial guarantee contracts were made when it was more likely than not that the guaranteed party would default and the Group would incur outflow of resources embodying economic benefits.

This new accounting policy has been applied retrospectively to the extent that the financial guarantee contracts were in existence at 1 April 2005. The adoption of this new accounting policy had no material impact on the results and financial positions for the current or prior accounting years.

Other than the above, the adoption of these new and amended HKFRSs did not result in significant changes in the Group's and Company's accounting policies but gave rise to additional disclosures.

New or amended HKFRSs that have been issued but are not yet effective

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The Directors anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Presentation of Financial Statements – Capital Disclosures [1]
HKAS 23 (Revised)	Borrowing Costs [2]
HKFRS 7	Financial Instruments: Disclosures [1]
HKFRS 8	Operating Segments [2]
HK(IFRIC) – Int 8	Scope of HKFRS 2 [3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives [4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment [5]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions [6]
HK(IFRIC) – Int 12	Service Concession Arrangements [7]

Notes:

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 May 2006
[4] Effective for annual periods beginning on or after 1 June 2006
[5] Effective for annual periods beginning on or after 1 November 2006
[6] Effective for annual periods beginning on or after 1 March 2007
[7] Effective for annual periods beginning on or after 1 January 2008

3. SUMMARY OF SIGNIFICANT 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(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 entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations are accounted for by applying 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, liabilities and contingent liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries *(Continued)*

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results.

(d) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities 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 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.

In the consolidated financial statements, all individual financial statements of foreign operations, 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 rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and rendering of 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 the revenue and costs, if applicable, can be measured reliably as follows:

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

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

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

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

(v) Rental income receivable under operating leases is recognised on a straight-line basis over the periods covered by the lease terms. Lease incentives granted are recognised as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

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

(f) Borrowing costs

All borrowing costs are expensed as incurred.

(g) Property, plant and equipment

Freehold land and buildings are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Property, plant and equipment *(Continued)*

Any surplus arising on revaluation of freehold land and buildings is credited to the properties 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 properties 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 properties revaluation reserve relating to the asset and the remaining decrease recognised in income statement.

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

Freehold land is not depreciated	
Buildings	Shorter of the lease terms and 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%

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

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of freehold land and buildings.

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 costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

(h) Leasehold land

Leasehold land represents up-front payments to acquire long term interest in the usage of land. They are stated at cost and charged to the income statement over the remaining period of the lease on a straight-line basis net of any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investment properties

When the Group holds a property interest under an operating lease to earn rental income and / or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

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. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gains or losses arising from either changes in the fair value or the sale of an investment property is included in the income statement for the period in which they arise.

(j) Impairment of assets

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

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount, unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised for cash-generating units are charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable 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 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Operating lease charges as the lessee

Where the Group has the right to use assets held under operating leases, payments made under the leases are charged to the income statement on a straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(ii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

The recognition of rental income receivable from operating leases is set out in note 3(e)(v).

(l) Financial assets

The Group's accounting policies for financial assets other than interests in subsidiaries are set out below.

Financial assets are classified into the categories of loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Available-for-sale financial assets

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. Gain or loss arising from a change in the fair value is recognised directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity would be recognised income statement. Interest calculated using the effective interest method is recognised in profit or loss. Upon disposal, the cumulative gain or loss previously recognised in equity is transferred to the income statement.

Impairment of financial assets

At each balance sheet date, financial assets are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the impairment loss is measured and recognised as below.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the income statement for the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement for the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Financial assets *(Continued)*

Impairment of financial assets (Continued)

For available-for-sale financial assets, 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, an amount is removed from equity and recognised in the income statement as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the income statement.

(m) Inventories

Inventories are carried 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 the estimated cost of completion and applicable selling expenses.

(n) Accounting for income taxes

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 assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Accounting for income taxes *(Continued)*

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.

(o) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, short-term bank deposits 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 share premium (net of any related income tax benefit), to the extent that 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 Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in independently administered funds. The Group's contributions are vested fully in the employees when contributed into the MPF Scheme.

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 such as sick leave and maternity leave are not recognised until the time of leave.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Financial liabilities

The Group's financial liabilities include borrowings, trade payables, other creditors and accruals. They are included in balance sheet under current liabilities.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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 twelve 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 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 uncertain events that are not wholly within the control of the Group 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 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group or the Company issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in income statement on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

(u) 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 joint-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 and judgements 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) Estimated fair value of freehold land and buildings and investment properties (collectively as "buildings and properties")

The buildings and properties of the Group were stated at fair value in accordance with the accounting policy stated in note 3(g) and (i). The fair value of the buildings and properties are determined by a firm of independently qualified professional valuers and the fair value of buildings and properties as at respective year end are set out in note 15 and 17. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the judgement, consideration has been given to assumptions that are mainly based on market condition exist at the balance sheet dates and appropriate capitalisation rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(ii) Depreciation

The Group depreciates the property, plant and equipment, except for freehold land, 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.

(iii) 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 from the Group's principal activities, which is also the Group's turnover, represents total invoiced value of goods supplied, lease income from operating leases and income from provision of services. Revenue recognised during the year is as follows:

	2007	2006
	HK$'000	*HK$'000*
Publication of newspapers	**1,757,474**	1,869,293
Rental income	**8,662**	4,573
Income from hotel operation	**22,043**	20,734
Income from canteen operation	**10,629**	9,439
	1,798,808	1,904,039

	2007	2006
	HK$'000	*HK$'000*
Included in other income are:		
Interest earned on bank deposits	**50,923**	33,010
Sales of scrap materials	**10,902**	11,719
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 and customers are located in Hong Kong. Accordingly, a business and geographical analysis is not presented.

7. PROFIT FROM OPERATIONS

	2007	2006
	HK$'000	*HK$'000*
Profit from operations is arrived at after charging:		
Auditors' remuneration	**1,234**	1,165
Impairment of trade receivables	**833**	1,335
Amortisation of leasehold land	**934**	935
Net exchange loss	**548**	2,527
Outgoings in respect of investment properties that generated rental income during the year	**2,679**	1,611
Operating lease charges in respect of land and buildings	**2,484**	5,628

8. FINANCE COSTS

	2007	2006
	HK$'000	*HK$'000*
Interest charges on borrowings wholly repayable within five years:		
Bank loans	**4,788**	4,653
Other loan	**250**	375
	5,038	5,028

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 17.5% (2006: 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.

	2007	2006
	HK$'000	*HK$'000*
Current tax		
– Hong Kong		
Tax for the year	**19,868**	37,301
Under-provision in respect of prior years	**2,018**	1,290
	21,886	38,591
– Overseas		
Under-provision in respect of prior years	**–**	17
	21,886	38,608
Deferred tax *(note 28)*	**(2,625)**	(27,226)
	19,261	11,382

9. INCOME TAX EXPENSE *(Continued)*

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

	2007		2006	
	HK$'000	**%**	*HK$'000*	%
Profit before income tax	**142,683**		139,041	
Tax on profit before income tax, calculated at the rate of 17.5%	**24,970**	**17.5**	24,332	17.5
Effect of different tax rates of subsidiaries operating in other jurisdiction	**1,128**	**0.8**	(1,335)	(1.0)
Tax effect of non-taxable revenue	**(8,288)**	**(5.8)**	(8,299)	(6.0)
Tax effect of non-deductible expenses	**2,935**	**2.1**	1,939	1.4
Under-provision in prior years	**2,018**	**1.4**	1,307	0.9
Tax effect of prior year's tax losses utilised this year	**(269)**	**(0.2)**	(609)	(0.4)
Tax effect of prior year's tax losses recognised this year	**(146)**	**(0.1)**	(4,796)	(3.4)
Others	**(3,087)**	**(2.2)**	(1,157)	(0.8)
Income tax expense and effective tax rate for the year	**19,261**	**13.5**	11,382	8.2

10. PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated profit attributable to the equity holders of the Company of HK$123,068,000 (2006: HK$126,583,000), a profit of HK$119,266,000 (2006: HK$244,238,000) has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividends attributable to the year

	2007	2006
	HK$'000	*HK$'000*
Interim dividend paid: Nil (2006: HK2.5 cents per share)	**–**	59,948
Proposed final dividend: HK4 cents (2006: HK2 cents) per share	**95,917**	47,958
Proposed special dividend: Nil (2006: HK0.5 cent per share)	**–**	11,990
	95,917	119,896

11. DIVIDENDS *(Continued)*

(a) Dividends attributable to the year *(Continued)*

A final dividend of HK4 cents (2006: final dividend of HK2 cents and a special dividend of HK0.5 cent) per share has been proposed by the Directors and is subject to the approval by the shareholders in the forthcoming annual general meeting. As such, the proposed dividend has not been recognised as a liability at the balance sheet date, but reflected as an appropriation of retained earnings for the year ended 31 March 2007.

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

	2007 ***HK$'000***	2006 *HK$'000*
2006 final dividend of HK2 cents and special dividend of HK0.5 cent per share (2006: 2005 final dividend of HK7 cents per share)	**59,948**	167,854

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$123,068,000 (2006: HK$126,583,000) and on 2,397,917,898 (2006: 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. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2007 ***HK$'000***	2006 *HK$'000*
Wages and salaries	**686,415**	685,886
Unutilised annual leave	**2,324**	2,570
Termination benefits	**1,082**	961
Pension costs – defined contribution plans	**22,884**	22,172
	712,705	711,589

14. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	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 2007					
Executive directors					
Mr. Ching-fat MA	**–**	**19,500**	**–**	**12**	**19,512**
Mr. Ching-choi MA	**–**	**15,600**	**–**	**12**	**15,612**
Mr. Shun-chuen LAM	**–**	**2,925**	**–**	**12**	**2,937**
Non-executive director					
Mr. Dominic LAI	**60**	**–**	**–**	**–**	**60**
Independent non-executive directors					
Mr. Yau-nam CHAM	**60**	**–**	**–**	**–**	**60**
Mr. Ping-wing PAO	**70**	**–**	**–**	**–**	**70**
Mr. Yat-fai LAM	**100**	**–**	**–**	**–**	**100**
	290	**38,025**	**–**	**36**	**38,351**
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

* Appointed during the year ended 31 March 2006

** Resigned during the year ended 31 March 2006

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 three (2006: one) directors, details of whose emoluments are set out in note 14(a) above. The emoluments payable to the remaining two individuals during the year (2006: four, as two members of staff were newly appointed as directors and another director resigned as a director during the year ended 31 March 2006, the emoluments payable to them in capacity of employee of the Group, together with the emoluments payable to the remaining one individual for the year) are as follows:

	2007	2006
	HK$'000	*HK$'000*
Salaries and other benefits	**8,645**	19,379
Contribution to defined contribution plan	**24**	25
	8,669	19,404

The emoluments of them fell within the following bands:

	Number of individuals	
Emolument bands	**2007**	2006
HK$ HK$		
2,500,001 – 3,000,000	**1**	1
3,000,001 – 3,500,000	**–**	1
4,000,001 – 4,500,000	**–**	1
5,500,001 – 6,000,000	**1**	–
9,000,001 – 9,500,000	**–**	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$'000	Plant, machinery and printing equipment HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 April 2005					
Cost or valuation	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 amount	854,420	570,940	27,927	7,670	1,460,957
Year ended 31 March 2006					
Opening net book amount	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 amount	614,576	495,131	53,224	7,105	1,170,036
Year ended 31 March 2007					
Opening net book amount	614,576	495,131	53,224	7,105	1,170,036
Exchange differences	6,137	1,122	26	14	7,299
Revaluation surplus	22,463	–	–	–	22,463
Additions	1,390	10,453	4,195	1,473	17,511
Disposals	(791)	(13)	(90)	(588)	(1,482)
Depreciation	(13,884)	(43,983)	(15,992)	(3,699)	(77,558)
Closing net book amount	629,891	462,710	41,363	4,305	1,138,269
At 31 March 2007					
Cost or valuation	629,891	842,007	138,774	17,794	1,628,466
Accumulated depreciation and impairment	–	(379,297)	(97,411)	(13,489)	(490,197)
Net book amount	629,891	462,710	41,363	4,305	1,138,269

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:

	2007	2006
	HK$'000	*HK$'000*
Cost	**626,819**	625,537
Accumulated depreciation	**(44,460)**	(31,083)
Net book amount	**582,359**	594,454

The analysis of cost or valuation of the above property, plant and equipment at 31 March 2007 and 2006 is as follows:

	Freehold land and buildings	**Plant, machinery and printing equipment**	**Furniture, fixtures and equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	462,710	41,363	4,305	508,378
At valuation – 2007	629,891	–	–	–	629,891
At 31 March 2007	629,891	462,710	41,363	4,305	1,138,269
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

The buildings situated in Hong Kong were revalued individually at 31 March 2007 by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professional qualified valuer, on a depreciated replacement cost basis. The freehold land and building situated in Australia were revalued at 31 March 2007 by Knight Frank Valuations, an independent professional qualified valuer on an open market value basis. The building situated in the PRC was revalued at 31 March 2007 by the Directors with reference to the estimated market value. The revaluation surplus of HK$9,052,000 (2006: HK$10,594,000), net of applicable deferred income taxes, and the net revaluation surplus of HK$11,491,000 (2006: HK$9,087,000), resulting from the above valuations were credited to the revaluation reserve in the shareholders' equity and recognised in the consolidated income statement, respectively.

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

The Group *(Continued)*

Included in freehold land and buildings of the Group are assets carried at carrying amount of HK$70,311,000 (2006: HK$55,362,000), of which the carrying value of the freehold land amounted to HK$19,923,000 (2006: HK$16,288,000), being held for generating income from hotel operation in Australia.

The Company

	Motor vehicles
	HK$'000
At 1 April 2005	
Cost	19,061
Accumulated depreciation	(11,562)
Net book amount	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 amount	6,978
Year ended 31 March 2007	
Opening net book amount	6,978
Additions	1,473
Depreciation	(3,689)
Disposals	(588)
Closing net book amount	**4,174**
At 31 March 2007	
Cost	17,617
Accumulated depreciation	(13,443)
Net book amount	**4,174**

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	
	2007	2006
	HK$'000	*HK$'000*
In Hong Kong held on:		
Leases of over 50 years	**5,873**	6,020
Leases of between 10 to 50 years	**31,511**	32,298
	37,384	38,318

	2007	2006
	HK$'000	*HK$'000*
Opening net carrying amount	**38,318**	78,553
Disposals	**–**	(39,300)
Annual charges of prepaid operating lease payments	**(934)**	(935)
Closing net carrying amount	**37,384**	38,318

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	
	2007	2006
	HK$'000	*HK$'000*
Carrying amount at beginning of the year	**142,211**	–
Additions	**–**	42,740
Exchange difference	**2,718**	–
Transfers from property, plant and equipment	**–**	117,273
Net gain/(loss) from fair value adjustments	**744**	(17,802)
Carrying amount at 31 March	**145,673**	142,211

17. INVESTMENT PROPERTIES *(Continued)*

Investment property situated in Hong Kong was revalued at 31 March 2007 by DTZ. Valuation was based on the property's open market value on 31 March 2007. The property has been valued by making reference to comparable sales evidence as available in the relevant market and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties as at the reporting date.

Investment property situated in Australia was revalued at 31 March 2007 by Knight Frank Valuations. Valuation was based on the property's open market value on 31 March 2007. The property has been valued by making reference to comparable sales evidence as available in the relevant market and where appropriate, by capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the respective properties as at the reporting date.

The Group's interest in investment properties at their carrying amounts is analysed as follows:

	The Group	
	2007	2006
	HK$'000	*HK$'000*
In Hong Kong, held on leases within 50 years	**115,636**	117,273
Outside Hong Kong, freehold	**30,037**	24,938
	145,673	142,211

18. AVAILABLE-FOR-SALE FINANCIAL ASSET

	The Group and The Company	
	2007	2006
	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

(a) Investment in subsidiaries

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,745**	43,747
Impairment losses recognised	**(695)**	(695)
Non-current portion included in non-current assets	**43,050**	43,052

Particulars of the principal subsidiaries at 31 March 2007 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
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
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

19. INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Investment in subsidiaries *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued ordinary shares held by the Company	Principal activity
ON.CC (HK) Limited (formally known as 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
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.

19. INTERESTS IN SUBSIDIARIES *(Continued)*

(a) Investment in subsidiaries *(Continued)*

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 the subsidiaries not audited by Grant Thornton Hong Kong or other Grant Thornton International member firms amounted to approximately 0.8% of the Group's total net assets.

(b) Amounts due from subsidiaries

The amounts due are unsecured, interest-free and repayable on demand.

20. INVENTORIES

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Newsprint and printing materials	**90,371**	81,396
Spare parts and supplies	**19,649**	16,832
Others	**800**	1,936
	110,820	100,164

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	
	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**127,650**	138,798
61 – 90 days	**48,288**	57,743
Over 90 days	**72,917**	82,902
	248,855	279,443

22. OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Other debtors	**6,462**	5,501
Deposits	**3,030**	1,588
Prepayments	**2,236**	4,184
	11,728	11,273

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Deposits	**–**	130
Prepayments	**218**	218
	218	348

23. CASH AND CASH EQUIVALENTS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Cash at bank and in hand	**126,370**	67,781
Short-term bank deposits	**970,132**	929,020
Deposit pledged against bank borrowings *(note 26)*	**107,277**	102,286
	1,203,779	1,099,087
Deposit pledged against bank borrowings not form part of the Group's cash and cash equivalents	**(107,277)**	(102,286)
	1,096,502	996,801

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Cash at bank and in hand	**963**	1,688

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 1.0% to 5.5% (2006: 0.3% to 4.9%) per annum and have a maturity within one month and are eligible for immediate cancellation without receiving any interest for the last deposit period. The effective interest rate of deposit pledged against bank borrowings is ranging from 4.4% to 5.1% (2006: 3.5% to 4.5%) per annum and have a maturity within one month.

24. TRADE PAYABLES

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

	The Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**46,672**	67,769
61 – 90 days	**1,940**	7,227
Over 90 days	**15,399**	15,313
	64,011	90,309

	The Company	
	2007	2006
	HK$'000	*HK$'000*
0 – 60 days	**10**	100
61 – 90 days	**–**	–
Over 90 days	**–**	1,055
	10	1,155

25. OTHER CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Other creditors	**63,360**	76,384
Accruals	**85,968**	37,316
Deposits received	**14,443**	16,497
	163,771	130,197

	The Company	
	2007	2006
	HK$'000	*HK$'000*
Other creditors	**1,375**	1,332
Accruals	**4,895**	1,521
	6,270	2,853

26. BORROWINGS

	The Group	
	2007	2006
	HK$'000	*HK$'000*
Bank loan	**82,519**	72,796
Other loan	**6,442**	5,823
	88,961	78,619

At 31 March 2007, the bank loan denominated in Australian dollar was secured by a pledged bank deposit of the Group amounting to HK$107,277,000 (2006: HK$102,286,000) (note 23) and bore interests at variable rate of Australian dollar's LIBOR plus 0.3% (2006: 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.

At 31 March 2006 and 2007, the Group's bank and other loans were repayable within one year.

The carrying amounts of borrowings approximate their fair value.

27. SHARE CAPITAL

	2007 and 2006	
	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 the applicable tax rates at balance sheet date in the tax jurisdiction concerned.

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 2005	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 and 1 April 2006	93,911	–	13,810	(38,213)	350	69,858
(Credited)/ charged to income statement	(6,536)	–	(426)	4,372	(35)	(2,625)
Exchange difference	–	–	–	(432)	19	(413)
Charged to equity	–	–	1,920	–	–	1,920
At 31 March 2007	**87,375**	**–**	**15,304**	**(34,273)**	**334**	**68,740**

The Company

	Accelerated tax depreciation
	HK$'000
At 1 April 2005	898
Credited to income statement	(69)
At 31 March 2006 and 1 April 2006	829
Credited to income statement	(319)
At 31 March 2007	510

28. DEFERRED TAXATION *(Continued)*

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deferred tax liabilities	**100,595**	106,024	**510**	829
Deferred tax assets	**(31,855)**	(36,166)	**–**	–
	68,740	69,858	**510**	829

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

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Fair value reserves in shareholders' equity: – buildings	**1,920**	2,247	**–**	–

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. This tax loss has no expiry date. The Group has unrecognised tax losses of approximately HK$2,598,000 (2006: approximately HK$2,695,000) due to the unpredictability of the future profit streams.

29. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group paid legal fees amounting to HK$1,543,000 (2006: HK$2,204,000) to Messrs. Iu, Lai & Li. Mr. Dominic LAI, a non-executive director of the Company, is a senior partner of Messrs. Iu, Lai & Li, during the year. The transaction prices were considered by the Directors as estimated market value.

30. OPERATING LEASE COMMITMENTS

At 31 March 2007, the total future minimum lease payments under non-cancellable operating leases payable by the Group are as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**2,355**	1,443
In the second to fifth years	**1,320**	803
	3,675	2,246

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 2007, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of the investment properties as follows:

	2007	2006
	HK$'000	*HK$'000*
Within one year	**6,703**	3,205
In the second to fifth years	**8,031**	1,336
	14,734	4,541

The Group leases its investment properties (note 17) under operating lease arrangements which run for an initial period of two to three 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. None of the leases include contingent rentals receivable.

32. CAPITAL COMMITMENTS

	The Group	
	2007	2006
	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	**387**	2,604

	The Company	
	2007	2006
	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

The Company has executed guarantees amounting to approximately HK$560,400,000 (2006: HK$829,800,000) with respect to banking facilities granted to subsidiaries. Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the loan. At the balance sheet date, the guarantees were utilised to the extent of approximately HK$7,553,000 (2006: HK$51,402,000). No provision for the Company's obligation under the guarantee contract has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

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$22,884,000 (2006: HK$22,172,000).

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, other creditors and accruals and borrowings.

(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 to nine months. 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.

(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.

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

(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.